

CURRENT EVENTS REPORT

52347-1-1 AUG 30

SUBJECT THE MONEY SITUATION IN ARGENTINA

From ARGENTINA

No. 2379 Date July 19 21.

Replying to No. Date REC'D. N. J. B. AUG 19, 1921

The following is taken from "La Prensa" July 20, 1921:

"The procedure which the Executive Power applies to the Caja de Conversion (Government Office for the Conversion of Currency) and its treasure, persisting in maintaining the emergency law and harming the most delicate interests of the Nation, is alarming all those who study such matters.

When in 1914 the Government took charge of the gold which was held in custody for the benefit and security of the depositors, this was done to protect it from possible contingencies during the World War. But what apparently has been forgotten is that the Monetary Law does not give the National Executive Power any interference in the matter.

The legitimate proprietorship to the gold having thus been interfered with, the Executive Power understands that the emergency measure taken should not be modified nor a return to normalcy be made concerning the financial regimen of the Nation.

The Message sent to the Chamber dealing with this matter does not give any reason which merits attention for maintaining the emergency measure. Thus public comment is excited with the fact that the measure of 1914, which now perturbs the harmony and efficiency of the regimen tried by fifteen years' experience, should be considered a definite solution to bring about confidence and stability in national currency.

The false concept of legality which is admitted by this state of things, which, before justice, truth and administrative integrity and national honor, cannot be accepted for it flouts the organic laws regulating money and national credit.

Unrest in business is increasing due to the chaos in international exchange; the unjustifiable depreciation of gold, which is quoted within the country at high prices, whilst the people have deposited in the 'Caja de Conversion', payable at eight 470 millions of pesos gold, a treasure confiscated by the Government without clear cause justifying same. The depreciation which Argentine money is suffering today----sound in its intrinsic value, its stability and elasticity to put into circulation automatically paper or gold, in accordance with the needs and convenience of the national market-----is in truth, intolerable.

The emergency laws Nos. 9481 and 9506 had not as an object to jeopardise the stability of the national currency; but their nature being changed as they were maintained once the World War was over, it signifies the abandon of the regimen of the Argentine monetary law, delivering it to the caprice of an authority whose conduct is based on a series of errors and subversions which are amazing, considering this matter from the legal point of view.

It must not be forgotten that the Conversion Law itself of 44 cents instead of 100 per each peso was considered as a kind of plunder at the time. However the Conversion Fund at 44 cents

Binding Margin

was founded and numerous bonds, etc. were to be set aside to comply with this sacred obligation. Yet all these resources were dispersed to the four winds, and today, after 33 years, the Caja de Conversion has not yet had delivered to it the 30 millions gold which belong thereto, and which by the Conversion Law, were to be reserved annually for the promised conversion. And now it is pretended to make said Conversion Law a dead letter; not to allow the people to dispose of the gold which they deposited in the Caja, and finally commercial confusion---brought about by official obstruction of the monetary circulation----continues.

It has been noted that the Message of the Executive Power to Congress on monetary matters has various phases, but one of them, probably the clearest of the lot, reveals the penchant of said power towards an emission of paper money.

When at a time like the present, with a superabundance of legal money, it is proposed to increase it two and a half times the amount of gold at the Caja de Conversion, and at the same time maintain the embargo on the gold, it is because it is desired to carry the emission to \$1,362,563,973 pesos of the 2,674 millions permitted by the accumulation of 470 millions gold in the Caja.

This plan being carried out, the Executive Power hopes to have sufficient funds to consolidate the floating debt, and even to build the Transandine railway from Salta to Huaytiquina.

Thus, the legal peso instead of being worth 44 cents gold would be worth 4 or 5 cents gold, and our monetary system would no longer exist. It would be then impossible to open the Caja de Conversion, for the gold therein would evaporate in 24 hours, and the country would go back half a century.

The dilemma is plainly facing Congress at the present time: either to take a firm stand to reestablish equilibrium in finances and the value of money, or to let things go on as heretofore, and in a short time the only prop of the monetary system will be the paper peso. So unsteady a prop will not last long, and the whole edifice will shortly come down without any further remedy being possible.

There is no doubt that the attitude adopted by the Executive Power concerning the money situation is a serious one, and in this delicate matter the P.E. persists in forgetting the clear and expressive terms which serve as a basis for laws on money.

The case is a simple one, and offers no room for doubt if the context is analysed with care. Thus, the first law No. 9481 which interrupted the conversion into gold of paper money states in its Article 1°:

'Provisions of Article 7 of Law 3871 are hereby declared suspended for the term of 30 days, inasmuch as they oblige the Caja de Conversion to deliver gold in exchange for paper money.

The Executive Power is authorized to prolong this term for 30 days more or diminish it, giving an account of same to the Honorable Congress. '

This first order in the year 1914, expressed clearly the transitory nature of the action, whereby the authorities interfered with the functions of the Caja, with the sole object of preventing any event of a damaging nature due to the panic brought on by the declaration of war in Europe.

Under date of August 31 the Executive Power issued the following further decree on the matter:

' Art.1: Until further notice the effects of Law #9481 are continued inasmuch as they suspend Art.7 of Law 3871, which obliges the Caja de Conversion to deliver gold in exchange for paper money.

Art.2: To be communicated, etc. '

Under date of September 30, 1914 Congress sanctioned Law #9506, in compliance with the Message of the Executive Power of the 10th of that month whereby it was communicated that 'it had been decided to maintain the state of non-convertibility, until the maximum time foreseen, without prejudice of opening the Caja before said time, if circumstances so advised.'

From the above the three points given below are deduced clearly:

- 1°: That Executive Power took a transitory and legal measure to attenuate possible unexpected consequences of European War.
- 2° That originally a term of 30 days only was fixed for said closure.
- 3° That the Executive Power is obliged in each case to advise Congress of prolongation of said measure of closure.

Therefore there is no doubt that the closing of the Caja de Conversion at this time is illegal and violates the right of proprietorship of the inhabitants of the Republic.

Furthermore the prohibition to export gold is also illegal for the term originally stated for said prohibition lapsed two years ago."

Concerning some of the possible consequences of free gold export the following unofficial opinion was published in "The Review of the River Plate," July 22, 1921:

"Given the maintenance of the present exchange rates in New York on Europe, the quotation in Buenos Aires for the U.S. dollar would fall to say 1.05 Argentine gold and the £ sterling would rise to say 63d.

If \$100,000,000 gold were exported, the paper currency in circulation would diminish by \$227,272,000 paper, say 17% of the existing currency. This decrease would represent some 20% of the cash in Banks and some 7% of bank deposits.

Imported goods should be some 30/40 % cheaper.

The price of exportable commodities would fall to the same extent, otherwise exports would fall off, being unable to compete with the world's markets.

Exports of gold, by stabilizing exchange, would make business with foreign countries easier, as it would not be necessary to allow wide margins for fluctuation of rates.

The Railway Companies would benefit enormously and an increase in freight tariffs might be avoided.

American Banks which have sold dollars and have big overdrafts in the States, would make large profits.

The Government finances would be considerably improved, as Customs' duties would increase and the Government would effect the service of loans in Europe for some 45% less than at present.

#### On the other hand

Money would be dearer and Banks would restrict credit facilities.

Quotations of securities would fall.

Imports would be encouraged, until restriction of circulation.

ing medium brought about a decrease. Increased imports would still further increase the adverse balance of trade.

There might be a withdrawal of gold from the Caja de Conversion by the general public for the purpose of hoarding.

Importers who have paid for their goods at a low rate of exchange would be greatly prejudiced.

A high exchange prejudices National industries, whereas a low exchange penalizes imports, and has the same effect as a protective tariff.

The extration of gold from the Caja de Conversion would cause great alarm in Europe, where it is not generally understood that an equivalent amount of paper would be withdrawn from circulation and that this country is in a position to take out large sums from the Caja without in the least affecting the soundness of the guarantee of the paper in circulation.

The export of gold would not be a remedy to the existing unfavorable exchange, but merely a temporary measure in its effects, inasmuch as the adverse balance of trade would no doubt be greater than now.

From the political point of view, the export of gold would meet with the greatest opposition from the mass of the public which is not qualified to form an opinion but is adverse to such a measure, which would use it as a political weapon against the Government, and from practically all the great commercial and industrial corporation of the country, as also the Bolsa de Comercio.

As regards the fall in price of Argentine produce, this would be compensated by the increased purchasing power of the paper peso with respect to imported goods, as the same volume of exports would pay for the same value of imports as at present.

Ex 100 tons of wheat at \$18 and 43d equal	£162
100   "   "   "   "   12.40" 63d   "	£166 approximately."

As it was insinuated in the Chamber of Deputies that the much discussed gold in the Caja de Conversion had no solid foundation, the Directors are asking for an official investigation as "any doubt on such a question must be absolutely dissipated without delay for the honour of the country and the genuineness of the monthly balances published".

## ATTACHÉ'S REPORT BLANK

Forward five copies (original and four carbons); this number is necessary because of the limited personnel in O. N. I. and because of the urgency for quickly disseminating information from attachés. These copies will be distributed by O. N. I. as per footnote, according to subject matter.

From A Date Sept. 9., 1921 Serial No. 263 File No. 303-100  
 Source of information National Budget 1920: Torquigiani's report 150.  
 Subject ARGENTINA TAXES KIND LEVIED  
 (Nation reported on.) (Index title as per index sheet.) (Subtitle.)

BRIEF.—(The review, indexing, and distribution of reports by O. N. I. will be greatly expedited if a brief summary of the contents is entered in this space. Mention leading geographical, personal, or political names, and the gist of the report.)

Argentina: Taxes: Kind Levied.  
 (For the Monograph).

The National Budget of 1920 Art. 4 states as follows:

"The Budget expenses will be covered from the following resources:

BINDING MARGIN. DO NOT BIND AT TOP.

Cash available	\$ m/n
Patents	7,000,000
Importation	127,000,000
Increased taxation of 2 & 5 %	20,000,000
25 % tax on parcels post, baggage & samples,	100,000
Exportation	100,000,000
Statistical tax 2 by o/co	6,000,000
Lighthouses and buoys	1,300,000
Port, Hole and Dock dues	5,500,000
Winch and hydraulic crane services	1,800,000
Storage and slingage	10,200,000
Traction service	8,000,000
Rent and Port concessions	1,400,000
Health officer's visits	200,000
Consular dues	1,500,000
Incidentals and fines	2,000,000
Alcohol tax	12,400,000
Tabacco tax	43,100,000
Match tax	4,000,000
Beer tax	3,300,000
Insurance tax	1,800,000
Tax on playing cards	300,000
Alcohol tax	11,600,000
Tax on perfumes and specifics	1,241,712
Tax on Wines	1,400,000
Tax on artificial beverages	650,000
Tariff of Analysis	700,000
Proceeds of sales on products of the	
Bacteriology Institute	100,000
Territorial contribution (proportion corres-	
ponding to National Government)	7,800,000
Stamped paper	28,000,000
Post Office	14,000,000
Telegraphs	7,000,000
Patent dues on inventions and trade marks	400,000
Proceeds of Property Registry & Official &	
Judicial Bulletins	1,500,000
Government Notary	10,000
Military taxes and fines (Law 8129)	3,000,000
Matriculation and examination fees	500,000
Fees on grazing land in National Territories	500,000
	129,201,712

FOR O. N. I. USE.

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Obav. State Commerce M. I. D. Cas. Board War College Navy. Bar. Ord. C. & E. Eng. T. & D. S. & A. M. & S. H. O.

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Page -2-

BINDING MARGIN. DO NOT BIND AT TOP.

(Brought forward)	129,201,712
National transports, prior to the payment of repairs and expenses of same	1,000,000
Rent of public property	200,000
Proceeds from transfer of fiscal lands	1,000,000
Forests exploitations	90,419.57
Extraordinary resources	6,000,000
Lease and sale of lands	250,000
Funds proceeding from settlement, National Bank	100,000
Income of the following Departments:	
Mint, & Government printing office	3100,000
Bureau of Livestock	300,000
Manoeuvre Field	10,000
Quartermaster	10,000
Proceeds returned from previous fiscal year	420,000
Differences in exchange	250,000
Rental of hangars & deposits in new port & port of La Plata	2,000,000
Public Health Works	1,500,000
Public Health Works (Law No 3967)	5,097,893
Irrigation Fund, Law No 6546 (service of bonds)	900,000
"Banco Nacional (laws Nos. 3655 & 3750)	800,000
Province of Buenos Aires, for service of its debt	812.123
Prov. of Santa Fé, for service of its debt	2,274,500.16
Prov. of Córdoba, for service of its debt,	400,000
Prov. of Entre Rios, for service of its debt,	300,000
Prov. of Mendoza, for service of its debt,	751,245.61
Prov. of Tucumán, for service of its debt,	66,800.66
	60,000.
<b>Total \$ m/n</b>	<b>459,574,694.00</b>

<u>Resources in Bonds</u>	<u>\$ m/n</u>
Bonds for Public Health Works, Law No 10968	4,797,811.45
Bonds of Port of the Capital, Law No 5944	5,000,000.
Bonds for works on Military Academy, Art. 19 of present law.	500,000
<b>Total \$ m/n</b>	<b>10,297,811.45</b>

The expenses for the Budget (section 2) will be covered from the following resources:

Proceeds from the National Lottery, (Law No 3967)	9,662,711
Tax on Horse-racing	2,174,969
Proceeds from tax on Perfumes & specifics	1,358,288
<b>Total.....\$ m/n</b>	<b>13,195,968</b>

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page - 3 -

Revenue collections in respect of "contribución territorial" (land tax), licenses, and stamps were as follows during the past two years:

	1919	1920	Increase in 1920
	\$ paper	\$ paper	\$ paper.
"Contribucion territorial":	19,266,900	19,667,700	400,000.-
Licenses	11,371,400	14,347,500	2,976,100.-
Stamps	28,196,800	31,539,800	3,343,000.-
Totals	58,835,100	65,555,000	6,719,900.-

## Inland Revenue amounted:

in 1920 to..... \$ paper 93,633,100 and  
in 1919 to..... " 80,841,500  
Increase in 1920 \$ paper 12,791,600

Custom House collections at the Ports of the Republic were as follows:

	1919	1920	Balance in favor
	\$ gold	\$ gold	of 1920
			\$ gold.
Import duties	49,019,100	69,873,000	20,853,900.-
Export duties	29,693,100	42,332,200	12,639,100
Other Customs & port revenues	12,611,100	17,681,100	5,070,000
Totals	91,323,300	129,886,300	38,563,000.-

The additional export duty on wheat and flour, created by law No 11,014 of 10th June 1920, had yielded up to December 31, 1920 the sum of \$ 16,562,800 gold (not included in the foregoing table).

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From A Date Sept. 14, 1921 Serial No. 277 File No. 300-200  
 Source of information Monquist's "Economic Development of Argentina Rep."  
 Subject ARGENTINA DEBT FOREIGN  
 (Nation reported on.) (Index title as per index sheet.) (Subtitle.)

BRIEF.—(The review, indexing, and distribution of reports by O. N. I. will be greatly expedited if a brief summary of the contents is entered in this space. Mention leading geographical, personal, or political names, and the gist of the report.)

Argentina: Foreign Debt. (For the Monograph).

EXHIBIT - 4000

## Detail

: Circulation: Issued: Amortized : Circulation :  
 : as at 31 Dec: in : in : as at 31 Dec:  
 : 1917 : 1918 : 1918 : 1918

BINDING MARGIN. DO NOT BIND AT TOP.

Nat. Public Funds, Law No 1231, Oct. 1882. Purchase of shares of "Banco Nacional" 3,489,192.00: -- : 350,784.00: 3,138,408.00  
 Port Work of Capital loan: Law No 1257, Oct. 27, 1882 & No 2743 of Oct. 1900 for construction of Port..... 7,282,800.00: -- : 243,432.00: 7,039,368.00  
 Central Northern Railway Loan, Law Oct. 16, 1885, Branch lines & extension of railway..... 12,639,208.00: -- : 572,544.00: 12,116,664.00  
 Public Works Loan, Law 21 Oct. 1885 No 1757. Continuation various Pub. Works..... 22,666,392.00: -- : 1,416,240.00: 21,250,152.00  
 Banco Nacional loan, Law Dec. 2, 1886. Payment of debt to said Bank ..... 6,090,100.00: -- : --- : 6,090,100.00  
 Loan for conversion of French Notes Loan of Oct. 19, 1876 No 830 & July 31, 1887, No 1934 ..... 1,863,792.00: -- : 96,768.00: 1,767,024.00  
 Nat. Pub. Funds, Law 1888, Aug. 12, 1886, Payment of debt to Govt. of Prov. B.A. / 17,163,518.40: -- : --- : 12,496,800.00  
 Loan for conversion of 6 percent bonds to 4 1/2 % / 700,358.40: 16,463,160.00  
 Loan for conversion of 4 1/2 % annuities to 4 1/2 % / 6,691,507.20: -- : 425,073.60: 6,266,433.60  
 Had Dollars, Law 2453, July 21, 1889. Conversion of interest gold bonds, bearing 3 1/2 % annuities interest..... 9,944,121.60: -- : 407,836.80: 9,536,284.80  
 Central Nor. Railway Loan Series, Law 2652 Oct. 30, 1889. Amplification of amount voted under laws 1733 & 1888 for construction of branches & extensions of said railway..... 23,436,688.00: -- : 806,785.60: 22,629,902.40  
 Public Health Works Loan, Law 2796, Sept. 1891. Expropriation of Public Health Works of the Capital .....

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EXTERNAL DEBT - GOLD.  
(continued)

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Report No 277.

(306-200)

DETAILS	Circulation as at 31 Dec. : 1917	Issued: in : : 1918	Amortized in: 1918 : at 31 Dec. : 1918	Circulation as at 31 Dec. : 1918
Railway Guarantees Rescis: sion Loan, 1st Series. Law : 3350, Jan. 14 1896. Issue of: year 1896, for object sta- ted.....	38,536,344.00: ---		1,205,568.00:	37,330,776.00
Conversion of Prov. Debts : Loan. Law 3378. Conversion : of External Debt of Prov. : of Santa Fé.....	12,945,018.24: ---		216,513.40:	12,728,499.84
Conversion of Prov. Debts : Loan. Law 3378 Aug. 8, 1896 : Conversion of External Debt of Prov. of Tucumán.....	2,816,991.21: ---		49,133.66:	2,767,857.55
Conversion of Prov. Debts : Loan. Law 3378 Aug. 8, 1896 : Law 3800 Sept. 12, 1899 (Cór- doba) & Law 3066 Oct. 23, : 1900. Conversion of exter- nal debts of Prov. of Ca- tamarca, San Juan, Corrien- tes, San Luis, Mendoza, and : Córdoba (in the Continent : of Europe).....	115,869,356.00: ---		106,100.00:	15,763,256.00
Conversion of Prov. Debts : Loan. Law 3378 Aug. 8, 1896 : & 3562 Sept. 28, 1897. Con- version of external debt of Prov. of Buenos Aires.....	28,910,910.40: ---		346,600.80:	28,564,309.60
Conversion of Prov. Loan : Laws 3378 Aug. 8, 1896 & : 3562 Sept. 28, 1897. Conver- sion of external debt of Pro Prov. of Entre Ríos.....	12,846,228.61: ---		161,884.20:	12,684,343.81
Conversion of Prov. Debts : Loan. Laws 3378 Aug. 8, 1896 : & 3885 Dec. 28, 1899. Conver- sion of debt of Prov. of : Santa Fé to Company Leas- ing the railways.....	4,351,342.40: ---		81,260.30:	4,269,081.60
Conversion of Prov. Loan. : Laws 3378, Aug. 8, 1896 & : 3885 Dec. 28, 1899. Conver- sion of debt of Prov. of : Santa Fé to Company Leas- ing the railways.....	4,120,925.17: ---		71,876.74:	4,049,048.43
Loan for conversion of : debts of Banco Nacional : (in liquidation) Law 3750 : Dec. 17, 1898, Consolidation : into Nat. Bonds of Bank's debts to the Disconto Gesells- : chaft, Berlin.....	6,515,802.72: ---		119,296.80:	6,396,505.92
Loan for conversion of : debts of Banco Nacional : (in liquidation). Law 3655 : 26, Nov. 1897 for conversion : of Bank's outstanding : debt guaranteed by Muni- : cipal bonds.				

EXTERNAL DEBT - (GOL.) (Continued).

<u>Detail</u>	<u>Circulation</u> as at 31 Dec.	<u>Issued</u> in	<u>Amortized in</u> 1918	<u>Circulation as</u> at 31 Dec. 1928
Railway Quarantees :				
Rescission Law 3760 :				
Jan. 9, 1899. Issue of :				
year 1899 amplifying:				
the amount authorized				
by Law 3350 for said:				
object.....	6,914,376.00:	--	117,936.00:	6,796,440.00
Argentine North East:				
ern Railway 4 <sup>th</sup> Loan:				
Law 5000, Oct. 6, 1906, :				
& 6508, Oct. 7, 1909....	3,892,392.00:	--	42,846.00:	3,849,552.00
Central Paraguay Rail:				
way Loan, Law 6370, 13:				
Sept. 1909. Joining up:				
of Arg. North Eastern:				
Railway with Central:				
Paraguay Railway.....	1,975,364.69:	--	20,160.00:	1,955,204.85
Extension of Port of:				
the Capital bonds. :				
Law 5944, Oct. 19, 1908...	7,891,128.00:	--	114,408.00:	7,776,720.00
Irrigation Debenture:				
bonds, Law 6546, Sept.:				
28, 1909.....	5,730,984.00:	--	83,664.00:	5,647,320.00
Municipal Loan 1907 :				
Law 5296 .....	13,578,766.00:	--	122,673.60:	13,456,094.40
Bonads of Laws 5004 &				
9471. Purchase of the:				
mole, works & machi-				
nery of Puerto Mili-				
tar.....	3,914,728.69:	--	3,914,728.69:	-----
	294,624,779.49:	--	11,796,472.69:	282,828,306.80
				<u>11,796,472.69</u>
	294,624,779.49			<u>294,624,779.49</u>

The Argentine Government has recently repaid to the Government of Great Britain on 14th January 1920 the sum of: \$ 51,820,000 gold, placing that sum to its credit in the "Banco de la Nación Argentina" ("Financial Convention with the Allies" a/o) and it asked, on the same date, for the approval of Congress of this action, as it had no funds available to meet this liability in cash. As to this sum of \$ 51,820,000 the "Banco de la Nación Argentina" did not need to make any cash disbursement: all it had to do was to make the requisite book entries, substituting one debtor for the other.

It will be remembered that the Argentine Government owed to bankers in New York the sum of \$ 49,300,000 U.S. Gold, which fell due on 15th of May 1920, and in order to meet the liability, it arranged with the British Government for an advance of \$ 50,000,000 U.S. Gold, which it was to repay on January 14, 1921, applying the amount towards amortization of the debt of the British Government (Financial Convention with the Allies).

In addition to this arrangement, it was agreed between the parties that the British Government should undertake the interest service and amortization of part of the foreign debt of the Argentine Government and that the sums so paid out by the British Government should be deposited by the Argentine Government in the "Banco de la Nación

Argentina" and credited by that institution against the balance of the debt of His Britannic Majesty's Government until such time as it was completely wiped out.

Finally it was agreed that the Argentine Government should have the right to draw against the British Government whenever the rate of exchange did not exceed 50 pence per \$ Argentine gold.

By virtue of these operations, the balance of the debt of the British had been reduced by January 31, 1920 to:

As regards the balance of the loan granted to the French Government in terms of the Convention with the Allies, which balance, at 31st January last amounted to.....	\$21,912,200
	26,817,700

this was renewed for another year, to  
date from January 14th, 1921

*Argentina* The debt of these two countries to  
ours therefore, at January 31 last stood at \$ 48,729,900 gold.

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From..... Date Sept. 1, 1921 Serial No. 224 File No. 306-100  
(Commence new series each January first.) (Select proper number from O. N. I. index.)

Source of information "Tornquist's report 150, Jan. 1921"

Subject ARGENTINA DEBT NATIONAL  
(Nation reported on.) (Index title as per index sheet.) (Subtitle.)

NOTE.—(The review, indexing, and distribution of reports by O. N. I. will be greatly expedited if a brief summary of the contents is entered in this space. Mention leading geographical, personal, or political names, and the gist of the report.)

Argentina: National Debt. (owed to citizens).

## CONSOLIDATED DEBT. CIRCULATION AT 31st. DECEMBER 1918 and 1919:

	1918	1919
	paper	paper
Internal Debt - Paper currency:	219,059,300	214,239,700
	\$ gold	\$ gold
Equivalent to	96,386,100	94,265,500
Internal Debt-Gold currency	199,010,600	196,215,100
External Debt-Gold currency	202,823,300	275,027,700
Totals	578,225,000	565,508,300

## FLOATING DEBT.

Circulation at:

12th October 1916.....	paper	472,362,000
31st December 1917.....	"	587,799,700
" " 1919.....	"	650,937,600
" " 1920.....	"	515,797,900

The following are the details of the floating debt at the dates above mentioned:

	12 October 1916	31 December 1917	31 December 1919	31 December 1920
	paper	paper	paper	paper
Loans due in 1920	116,159,091	116,159,091	116,159,091	116,159,091
External short-term loans	140,502,863	--	--	--
Internal short-term loans (in Treas. Bills)	99,000,000	249,200,000	291,754,048	275,050,047
"Banco Nacion Argentino-Advances made to Govt. for re-payment of short-term loans contracted in U.S.	--	71,999,632	71,999,663	71,999,663
"Banco Nacion Arg.-Advances to Govt. in account-current	25,000,000	49,443,566	64,100,000	27,155,239
Bonds & Certificates for works at Puerto Militar,	11,700,000	9,000,000	9,962,904	--

FOR O. N. I. USE. COPY SENT TO—

If a second page is needed for a report, use ordinary thin paper, this size. Make all sketches, etc., uniform in size with this form where practical. Submit extra copies of clipping, carbons of sketches, etc., where practical. If practicable, submit sketches in suitable styles for blue printing or photostating.

FINANCIAL DEBT (CONT.)

	12 Oct. 1916	31 December 1917	31 December 1919	31 December 1920
	3 paper	3 paper	3 paper	3 paper
Treasury Bills	15,000,000	19,997,425	11,661,894	1,993,886
Arrears from previous years	45,000,000	--	--	--
Arrears from 1917 & preceding years	--	67,000,000	76,800,000	15,000,000
Supplementary credits	20,000,000	5,000,000	8,500,000	8,500,000
Total	472,361,954	587,799,714	650,937,600	515,797,926

STATEMENT OF THE CONSOLIDATED DEBT OF THE ARGENTINE REPUBLIC AS AT  
31st DECEMBER 1918

Detail	Circulation as at 31st Dec. 1917	Issued in 1918	Amortized in 1918	Circulation as at 31st Dec. 1918
<u>INTERNAL DEBT. NAT. Currency :</u>				
Loan of Law N°8121, 25 Jan. 1911 .....	95,514,100	--	1,427,800	94,086,300
Nat. Public Funds, Law N°3683 : 15 Jan. 1898. National Education Council .....	4,115,900	--	157,100	3,958,800
Nat. Public Funds, Law N°4349, Sept. 30, 1904. "Montepio Civico" .....	10,000,000	--	--	10,000,000
Argentine Internal Credit, Law N°4569, 10 July 1905. Conversion of internal debt .....	83,384,380	--	2,106,300	81,278,080
Health Works Bonds, Law 4158, 26 Dec. 1902 .....	9,898,420	--	246,500	9,651,920
Municipal loan of 1891, Law N°2874 .....	4,209,200	--	1,900	4,207,300
Municipal loan of 1897, Law N° 3645 .....	2,615,300	--	146,400	2,468,900
Bonds of Law N°6492, Military Constructions .....	13,558,200	--	150,200	13,408,000
	<u>223,295,500</u>	--	<u>4,236,200</u>	<u>219,059,300</u>
	<u>223,295,500</u>			<u>4,236,200</u>
				<u>223,295,500</u>
<u>INTERNAL DEBT - GOLD</u>				
Nat. Public Funds, Law N°2216 : Nov. 3, 1887-Guaranteed banks .....	1,953,000	--	119,600	1,833,400
Nat. Public Funds, Law N°2842, Oct. 21, 1891-Payment of service of National "Cédulas" - gold currency .....	481,900	--	--	481,900
Arg. Internal Credit, Law N° 4600, Aug. 31, 1905. External Debt .....	31,082,400	--	849,900	30,232,500
Arg. Internal Credit, Law N° 6300 of 1910 (External Debt) .....	5,630,800	--	168,800	5,462,000
Arg. Internal Credit, Laws Nos: 5559, 5681, & 6011 (External Debt) .....	45,516,900	--	913,200	44,603,700
Internal Pub. Loan of 1911 .....	65,239,300	--	924,500	64,314,800
Arg. Internal Credit of 1916, Laws 9648 & 10067 .....	21,831,300	--	235,200	21,596,100
Arg. Internal Credit of 1917, Law 10223 .....	30,800,000	--	313,800	30,486,200
	<u>202,535,600</u>	--	<u>3,525,000</u>	<u>199,010,600</u>
	<u>202,535,600</u>			<u>3,525,000</u>
				<u>202,535,600</u>

OFFICE CHIEF OF STAFF  
INTEL. DIV.

ONLY

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APR 17

WAR DEPARTMENT

SUBJECT THE ARGENTINE BUDGET FOR 1922 -----SERVICE REPORT-----

From ARGENTINA-----ECONOMIC-----

No. 3722

Date March 16, 1922

Replying to No. Date APR 14 1922 19

The new budget was not presented to Congress until about the middle of February. It consists of a large volume of over 600 pages and contains many innovations, especially as regards laws for raising new taxes. It provides for an income tax, which heretofore has never existed in Argentina. The budget itself is a record one, amounting to \$599,956,504.66 pesos, distributed as follows:

A - Congress.....	\$ 5,881,380.00
B - Interior.....	70,767,119.00
C - Foreign Affairs and Religion.....	9,189,939.35
D - Treasury.....	20,818,419.40
including Public Debt.....	128,736,484.94
E - Justice and Public Instruction.....	86,660,942.76
✓ F - War.....	48,812,937.25
✓ G - Navy.....	41,940,209.08
H - Agriculture.....	12,189,780.00
I - Public Works.....	21,944,495.00
J - Pensions.....	17,641,284.72
L - In Shares.....	51,747,250.00
Arts. 6 and 7 (for ten months).....	63,000,000.00
	\$ 579,340,241.70
M - Subsidies.....	20,616,262.96
General Total	\$ 599,956,504.66

The revenue for the year is placed at \$551,931,685.25 pesos.

The expenditure under the heading of subsidies will be covered by the revenue derived from the public lottery, the net proceeds of taxes levied under Law 6026 and of Law 3967, and from the taxation of perfumes and patent medicines. If these sources are found insufficient the balance is to be made up out of the general revenue.

The expenditure under Arts. 6 and 7 arise, in the first case, from the establishment of the minimum wage, and in the second from the increased salaries and wages which are to be granted to the officials and employees in the civil service on the following scale:

Up to \$149.00 monthly, an additional 50%; \$150.00 to \$199.00, 40%; \$200.00 to \$250.00, 30%; \$251.00 to \$300.00, 20%; \$301.00 to \$500.00, 15%; \$501.00 to \$1,000.00, inclusive, 10%.

Binding Margin.

Men in the army and navy with salaries below \$300.00 are to receive an additional 10%.

To cover the expenditure under the heading Public Works, the Executive is authorized to float a foreign or internal loan for \$30,000,000 m/n bearing interest at 6% and 1% amortization. Also the Obras de Salubridad bonds authorized by Laws 8889 and 9648 may be increased to the extent of \$100,000,000.00 gold.

Among the provisions made in the proposed Budget Act, the Executive is authorized to sell Petroleum and its derivatives from Comodoro Rivadavia and other Government oil-bearing localities, utilizing up to 80% of the proceeds in promoting exploration in search of other possible sources of that mineral and otherwise promoting the development of the nation's resources.

Pensions are to be calculated on the basis of the mean rate of pay received monthly by the interested party during the five last years of service.

The Executive is authorized to issue "Bonos de Edificación Escolar" (School Building Bonds) to the value of \$10,000,000.00 m/n at 7% interest and 1% amortization, the proceeds of which are to be utilized for the promotion of education in the Republic.

Finally the Budget Commission recommends the levying of a tax of 3% on income derived from the investment of capital invested (1) in shares, certificates, bonds, debentures, public funds, cédulas, with certain special exceptions; (2) in mortgages and similar investments; (3) on funds deposited in banks, etc., (4) on funds given as security, pledge or guarantee; (5) on the revenue derived from funds invested abroad; (6) on the profits of industrial, commercial or agricultural concerns opened abroad.

Banks and other institutions receiving money on deposit will pay a tax of 1% per annum quarterly on the difference between the total amounts received on deposit and the total capital in the country and in reserve.

Among new taxes appear the following:

A tax on securities, a tax on steamship passages for persons leaving the country, a heavy tax on jewelry and a tax on the income from securities.

2-347-L-13

3-1 50

SUBJECT--ECONOMIC--ITEMS--ARGENTINA--G-2 REPORT

From--ARGENTINA--ECONOMIC--347-L-

No. 2852 Date September 10, 1922

Replying to No. Date 19

(Add) (91) Debits

On July 29th a number of loan proposals submitted to the Argentine Ministry of Finance by American bankers were rejected on the ground that the terms proposed were unfavorable to the Argentine Government. The Government had allowed it to become known that it was in a receptive mood for offers of the equivalent of 500,000,000 pesos paper from foreign bankers for the purpose of cancelling the short-term loans amounting to 88,000,000 pesos gold contracted during the last year with Blair & Co. of New York, and for the partial consolidation of the large floating debt, the total amount of which is variously estimated as being somewhere between 600 and 800 million pesos paper. Proposals were submitted by the Guaranty Trust Company of New York through Tornquist & Company of this city, by the National City Bank of New York, by Blair & Co. of New York and by an unidentified British banking concern. It is reported that the most favorable offer was that of the Guaranty Trust Company at 90 - 6%.

It is understood that foreign bankers were not over-anxious to obtain this business owing to the fact that all the proposals submitted had to be ad referendum to the Argentine Congress, and it was impossible to foresee how long the Government would require to obtain the necessary legal sanction. After rejecting the offers, the Minister of Finance announced that there would be no more negotiations for the present, but that the Government would welcome offers of a more favorable nature is evident from the fact that the Argentine diplomatic representatives in London and Washington were advised by cable that the only type of loan which would interest the Argentine Government would be 95 - 6% or better.

(Add)

It is estimated that Argentine Government loans maturing at the end of 1923 aggregate 482,516,113 pesos paper, in addition to which the accumulated deficit to be faced will be in the vicinity of 300,000,000 pesos paper.

(94) Connections

The following figures show the extent of Argentine trade with Great Britain during the first six months of this year:

Argentine exports to Great Britain	\$365,016,504 m/n
Importations from Great Britain to Argentina.....	131,930,548 "

Leaving a balance in favor of Argentina of.....	333,095,956 "
---	---------------

Binding Margin.



(411)

(68) Railways

The Administration of State Railways has arranged with the firm of Sir William Arnold of London and Glasgow, a loan of 2,000,000 pounds sterling, payable in twenty years, or sooner, at the option of the Argentine Government, and bearing 6%. All expenses in connection with the loan are to be borne by the lender and the proceeds are to be used for the extension of the State Railway system. The Government binds itself to purchase from the lending company 500,000 pounds worth of materials, provided always that the prices quoted are not excessive. The Embassy's Commercial Attache reported that he had been informed by the Director General of Railroads that the British Government is interested in this transaction under the Export Industries Act.

(Add)

(100) Fluctuations

Immigration into Argentina during the month of May last totalled 12,174, distributed in part as follows:

Italians.....	3,223
Spaniards.....	2,637
Uruguayans.....	1,910
Germans.....	970
English.....	752
French.....	376
Americans.....	283
Polish.....	274
Australians.....	243

During the same month 11,379 aliens left the country.

(Add)

(24) Shipping

(73) Internal

On July 30, 1932 the Executive Power approved by Presidential Decree the tender presented by the Mieuport Macconi firm for the sale of four "glissours" (gliders) to be used for navigation of the Bermejo River. These gliders have motors of 200 H.P. It is expected to use them for inspection of luminous buoys on the Parana, Uruguay and Plate Rivers.

(Add)

(27) Radio

(80) Radius

(81) Power

(82) Type

The Ministry of Marine issued an order on August 24th addressed to the heads of wireless stations to the effect that the strictest compliance was to be observed of the regulations annexed to the London International Wireless Convention.

(Add)

(93) Banking

During the first six months of 1932, the Bank of the Nation showed an increase in loans of 27.3 million pesos, an

increase in deposits by the public of 55.7 millions and in general deposits of 25.2 millions. Cash deposits on hand in the bank decreased by 19.4 million pesos.

(Replace)

(97) Fluctuations

"Birth rate 42.1 per thousand" etc.

The following table gives figures showing decreasing birth rate in Argentina from 1911 to 1920 and the nationality of the parents:

Years	Population in Argentina	Argentine Parents	Foreign Parents
1911	7,173,849	82,427	82,992
1912	7,541,754	83,419	87,348
1913	7,849,113	89,570	94,032
1914	7,958,860	90,548	94,650
1915	8,051,540	88,875	88,512
1916	8,151,562	92,672	85,572
1917	8,260,778	90,525	78,860
1918	8,383,576	95,765	72,791
1919	8,521,310	97,210	69,741
1920	8,708,307	96,400	66,546

The percentages of births for the year 1920 for the different parts of the Republic were as follows:

Federal Capital and Provinces.	Births Year 1920	Proportion per mil
Federal Capital	41,032	24.2
Buenos Aires	72,688	30.6
Catamarca	2,681	26.0
Cordoba	29,352	35.9
Corrientes	10,248	27.2
Entre Rios	17,288	35.3
Jujuy	2,470	36.6
Mendoza	11,968	37.8
La Rioja	2,000	23.3
Salta	5,003	33.3
San Juan	5,472	40.8
San Luis	4,243	32.2
Santa Fe	33,883	33.1
S. del Estero	9,404	31.1
Tucuman	13,576	37.8
Total	361,886	31.0

(Add)

(10) Animals

In his speech at the opening of the Rural Society's Annual Show, the Minister of Agriculture mentioned that the number of cattle in Argentina in 1914 was 25,000,000 head, and of sheep, 45,000,000 head. In 1919 he said the number of cattle had risen to 27,000,000 head with the number of sheep stationary at the figure of 1914. At the present time (September, 1922) the figures were 28,000,000 and 45,000,000 respectively. To give an idea of the importance of the livestock of the Republic the Minister mentioned that during the year 1920 there were exported 1,745,000 carcasses of beef and 3,330,000 sheep; in 1921, 1,800,000 carcasses of beef and 3,800,000 sheep. He gave the figures for the first six months of the current year as 1,150,000 beef carcasses and 2,333,700 sheep.

(Add)

(31) By-products

The Minister of Agriculture in his speech made at the opening of the Rural Society's Annual Show stated that the export of butter and cheese from Argentina during the last six months (January to June, 1922) had attained great importance. Figures given were 11,250,000 kilos of butter and 3,033,472 kilos of cheese for the half-yearly period mentioned.

3-1 7347-L-112  
NO OBJECTION TO UNLIMITED CIRCULATION

SERVICE REPORT

SUBJECT ARGENTINE GOVERNMENT LOAN

From ARGENTINA

No. 2864

Date September 13, 1922.

Replying to No.

Date OCT 24 19

The Argentine Government announced on September 3rd that it had negotiated with Blair and Co. and the Chase National Securities Company of New York City, an ad referendum contract for a loan equivalent to the sum of five hundred million Argentine paper pesos (\$212,000,000 U.S. Cy/). The full details of the transaction became known when the Executive submitted the contract to Congress, for that body's approval on September 8th. A brief summary of the principal provision of the contract follows:

"The Argentine Government will immediately issue bonds not to exceed 500 million pesos Argentine paper, to be known as the 'Foreign Loan of 1922.' These bonds may be issued in different series and shall all bear the same interest of 6 1/2% per annum with 1% cumulative annual amortization.

"The bonds of Series A will be dated Aug. 1, 1922, and will run until August 1, 1947, interest and principal to be payable at the option of the holders at New York in United States gold.

"The Argentine Government agrees to pay the following commissions to its financial agents in New York as compensation for their services in this connection:

- 1/4 of 1% of the total interest payments;
- 1/8 of 1% of the total payments of principal;
- 1/8 of 1% of the face value of all bonds retired by the sinking fund.

"The Government will incorporate in its yearly budgets the sums necessary to effect the annual services of the loan.

"The Government promises to sell and deliver to the bankers, and the bankers, in accordance with the terms of the agreement, promise to buy and to pay for, at the rate of 97% net of their written value:

1) Fifty million dollars in bonds of nominal value of Series 'A' bonds on September 15, 1922; provided that the Government on or before September 5, 1922, shall have:

- a) Delivered to the bankers' representative in Buenos Aires a duly authenticated copy of the law of Congress authorizing the Foreign Loan of 1922, in accordance with the terms of the agreement, and the necessary acts, decrees, etc., to put the same into force;
- b) Delivered to the bankers in New York duly authenticated copies of said law and decrees;
- c) Delivered to the bankers in New York City the necessary prospectus material and other information that they may require;

Binding Margin.

and in case such delivery should not have been made on or before September 5, 1933, then the date for the delivery of the 2nd note from Oct. 25, 1933 until the date of delivery and payment, this will be a part of the maturity of the bonds authorized."

The purpose of these bonds now, it is understood, to be employed for the consolidation of the national floating debt, and for the cancellation of the Government's indebtedness to the Banco de la Nación.

The operation now, of course, been severely attacked by the opposition press. Fault is found with the terms of the contract, and with the manner in which the negotiations were carried on. It is stated that there is no advantage to be gained by paying over 6.7% for money with which to retire short-term obligations costing 6% or less in the local market. Adverse criticism is also based on the fact that by entering into an agreement of this nature, the Executive has placed Congress in a position where, faced with a fait accompli, it must choose between accepting a situation in the creating of which it has had no part, or place the Argentine Government itself in an extremely difficult position by refusing to grant the necessary approval. The fact that the present administration has hardly a month to remain in office has provoked comment questioning the opportuneness of the transaction, but this appears to be relatively unimportant in view of the report generally credited to the effect that the future President's consent in the matter was obtained before the contract was submitted to Congress. Unbiased opinion seems on the whole to take the view that the only remarkable feature of the business, from the press summary of the contract, is the amount of money involved. Also, as it appears that the bankers are bound to purchase only 100 million dollars worth of bonds, reserving to themselves an option on the remaining 112 million, it may well be that not all the proposed issue will be absorbed in the same quarter.

It is reported that prior to submitting the project to Congress, the Executive Power sounded out the sentiment prevailing in both Chambers and found it favorable. Should the opposition elements decide to obstruct the passage of the measure, they will probably be able to delay its consideration by refusing to lend themselves to the formation of a quorum.

CONFIDENTIAL

3-1

2347-L-188

RECEIVED  
U.S. DEPARTMENT OF  
TREASURY

SUBJECT ECONOMIC ---- ARGENTINA

(FOR INFORMATION-DIGEST)

From ARGENTINA

No. 3171

Date June 30

1923

Replying to No.

RECEIVED C/2 W.D. AUG 1 1923

19

5030: Public Debt.

On March 31, 1923, the floating debt of Argentina was \$768,209,680.24. This total was given by the Minister of Finance before the Parliamentary Budget Committee. This is \$41,364,538.11 less than it was on October 12, 1922, when the present Government took office.

Binding Margin.

CONFIDENTIAL

4110: Mineral Fuel (Raw Material)

Important developed areas.

Information to hand is to the effect that the property of the former Sindicato de Perforaciones has struck the oil sands below 600 meters depth. The mineral rises in the bore to 85 meters from the surface, hence there is every promise of a successful well. The sands are of the type known as "heaving" hence the completion of the well is necessarily slow as there are many difficulties to be overcome.

In general, work at Comodoro Rivadavia seems to be livening up. The national exploitation stock, which, a few months since was overflowing the reservoirs at a figure beyond 100,000 tons, is down to 35,000 tons, while the increasing daily output is totally absorbed.

The Ferro Carrilera de Petroleo has also been fortunate, having struck two good wells.

Report #3171, June 30, 1923.

4310: Petroleum Products.

Storage tank capacity.

The new tank steamer "Danville", recently acquired by the Argentine State Petroleum Working through the intermediary of the Ministry of Agriculture and the Argentine Embassy at Washington from the United States Shipping Board, arrived at Buenos Aires on June 20, 1923. The purchase price of this steamer was \$300,400 U.S. gold. The principal features of the steamer are: length, 340 feet; beam, 49 feet; depth of hold, 28 feet 7 inches; draught, 23 feet 31/4 inches; speed 9 1/2 miles; deadweight, 6,000 tons; petroleum transport capacity, 5,000 tons; one turbine and two Westinghouse boilers. The vessel was built in 1920. She has brought down a cargo of petroleum from Tampico, Mexico, consigned to a local firm.

Report #3171, June 30, 1923.



# CONFIDENTIAL

4830: Exports and Imports.

## Valuation and volume of foreign commerce, trade balances.

The Director General of Statistics of the Nation issued the first part of his report on Argentine foreign commerce during the years 1921-1922 on June 29, 1923.

Figures given are as follows:

	Real value in \$gold in the years		Difference more(x) or less(-) in 1922	
	1922	1921	Absolute	Relative %
Importation	686,000,000	749,533,697	-63,533,697	-8.4
Exportation	672,600,000	671,129,420	x 1,470,580	x0.2
Totals	1,358,600,000	1,420,663,117	-62,063,117	-4.3

Real figures  
of commercial  
balance sheet:

- 13,400,000:- 78,404,277: -65,004,277 - 82.9

	Real value in \$gold in the years		Difference:more(x) or less (-) in 1921	
	1921	1922	Absolute	Relative%
Importation	749,533,697	934,967,699	-185,434,002	-19.8
Exportation	671,129,420	1,044,085,370	-372,955,950	-35.7
Totals	1,420,663,117	1,979,053,069	-558,389,952	-28.2
Real figures of commercial balance sheet-	78,404,277	x109,117,671	-187,521,948	-171.8

Report # 3171, June 30, 1923.

CONFIDENTIAL

4940: Radio Communications-General.

General commercial use.

The progress of commercial radiotelegraphy in Argentina as in the United States has been nothing short of phenomenal. As early as 1914 amateur wireless telegraphers commenced experimenting with the radiotelephone and built both receiving and transmitting sets.

The practical development and spread of the idea commenced in 1920 when the first effective broadcasting station was installed in the Coliseo Theater in Buenos Aires.

Any statement as to the total number of receptor sets in operation in Argentina is pure conjecture as there is no reliable means of arriving at a definite estimate. The present laws do not require receiving or broadcasting stations to be licensed and import statistics would not take into consideration local factory made apparatus or instruments constructed by the enthusiasts themselves.

The Radio Club of Argentina has a membership of 700 which figure represents about twenty percent of station owners throughout the country belonging to organized bodies. It is estimated that there are now over 20,000 receiving stations in the suburbs and city of Buenos Aires alone.

The Government has been strikingly slow in following the progress of radio telephone development, and does not maintain any broadcasting stations, but at times uses those of Radio Cultura and Radio Sud Americana.

The owners of radio telephone stations in this Republic are particularly free from legal restrictions. No permits or licenses are required to install either transmitting or receiving sets, and broadcasting stations employing less than a 600 meter wave length have been able to avoid collision with that section of the Argentine Legal Code requiring the registration of wireless telegraph stations of 600 meter or greater wave length.

At the present time there are three principal radio broadcasting stations in the Argentine Republic, which are known under the following names:

Radio Sud Americana .....	450 meters, fixed;
Radio Cultura.....	400 " variable;
Sociedad Radio Argentina.....	350 " variable

Each of the above stations has an approximate power in-put into the antenna of 500 watts, working on the above basis.

Range of more important stations.

The working distance of any of the above stations is variable between 500 kilometers (310 miles) and 1580 kilometers (983 miles). Vessels at sea have been known to have heard these stations, under most favorable conditions, at a distance of nearly 2000 kilometers (1243 miles) this all depending on weather conditions and ability of operators.

Report #3171, June 30, 1923.

CONFIDENTIAL

5110: Aeronautical Development and Research.

Cooperation of industrial, military and naval activities.

The Board of the State Petroleum Working has informed the "Aero Club Argentino" that efforts to produce refined petroleum of superior quality, recently undertaken by it, have been entirely successful. Naphtha of a high grade of purity is now being obtained and this can be offered to the Aero Club for use in its aeroplanes at prices more favourable than those charged for the foreign article. The present price of naphtha utilised in aeroplanes here, is about 45 centavos, but it is anticipated that this will be reduced shortly so far as the State product is concerned, to 25 cents. The offer of the State Petroleum Department has been gratefully accepted by the Committee of the Aero Club. It will be remembered that the present Director of the State Petroleum Working, Colonel Enrique Mosconi, was formerly the Chief of the Argentine Military Aviation Department.

Report #3171, June 30, 1923.

G-2 REPORT

SUBJECT ECONOMIC-----ARGENTINA

(FOR INFORMATION DIGEST)

From ARGENTINA

No. 3297

Date March 25

19 24.

Replying to No.

RECEIVED G/2 W.D. APR 17 1924

19

(ADD)

5030:Government Budget.

The Minister of Finance has furnished the President with a report showing the economic and financial probable position on March 31, 1924, the close of fiscal year 1923.

After carefully detailed calculations the following resume is shown:

Revenue.....	\$617.581.000	Arg. paper
Expenditures.....	652.926.000	" "
General probable deficit.	35.345.000	" "

If from this sum the amount paid on account of Sanitation work and State Railways is deducted the general deficit is reduced to \$11.321.000 Arg. paper.

Binding Margin.

(Add)

5030: Public Debt.

As of date February 29, 1924 the following figures were published by the Ministry of Finance regarding the unconsolidated debt of the Argentine Republic:

<u>In the country:</u>	m/n	
Short term loans.....	\$423,538,747	
Treasury Bonds (Sanitation works).....	3,500,000	
Bank of the Nation, Law #10251	71,999,863	
Railways, approximately.....	90,000,000	
Difference in exchange.....	35,000,000	
	624,038,410.....	m/n 624,038,410
<u>Bank of the Nation:</u>		
Treasury account.....	22,804,695	
Conversion Fund.....	20,894,545	43,609,240
<u>In North America:</u>		
Dollars 27,000,000.....	63,597,272	
" 20,000,000.....	47,109,090	110,706,362
		\$778,444,012

On January 31, 1924 the unconsolidated debt of the Republic was \$868,638,549 pesos.

M.A. Report #3297, Mar. 25, 1924.

4-1  
G-2 REPORT

RECEIVED  
INTELL. DIV.  
SEP 1 1924

SEP 1 1924  
INTELL. DIV.

SUBJECT---ECONOMIC-----ARGENTINA-----

(FOR INFORMATION DIGEST)

From--- ARGENTINA -----

No. 3342

Date August 12, 1924

Replying to No. ----- Date -----, 19

5000: Finance----General.

Government system and methods of control over national finance.

There is given below a translation of the Finance Minister's views on gold exportation which has become a question of moment due to extraction of gold for shipment abroad in subjection to the enactments of Law Nos. 3871, 9479 and 10231, and Art. 52 of the current Budget Law. These statements were made in reply to an interpellation in the Chamber of Deputies.

"For the time being, and for no short period, the Gold Standard has been completely abandoned by all the nations of the world.

"This is the present state of affairs, with the anomaly that while there is no Gold Standard there are many financial standards in the world.

"Under these circumstances, in which it is impossible to establish international equilibrium, and whilst there is one Nation sufficiently powerful in itself to possess several times the amount of gold that we have in our 'Caja de Conversion', the question is, would it be prudent to allow exportation of gold? Can we regularise the currency situation by allowing gold to be exported? Does the Deputy who has interpellated me believe that by throwing gold on the market we are going to normalise exchanges?

"It is not so. As matters are at present, finances have changed; financial principles are quite different from those which ruled ten years ago. The reason is because the freedom to export gold does not exist; because all the springs of liberty are lacking; because free coining does not exist; so that it has been necessary to devise a special system in each case, a science of finance which considers as antiquated the principles upheld by certain Deputies.

"It is not sufficient to throw gold on the market to cause the rate of exchange to fall. Thirty or forty millions in gold might be thrown on the market tomorrow, but the value of the dollar would remain unchanged. Today money does not signify any fixed relation with any other money; it simply signifies purchasing power----the purchasing power which emanates from the credit possessed by the individual, the community or the nation which issues it.

"This principle----which Case has clearly demonstrated in his report to the League of Nations, adopted at the Brussels Congress, fundamentally changes the problem and places it in an absolutely revolutionary camp in relation to the old theories. If the Honorable Deputy were to contend that the issue of gold would surely bring about the re-establishment of the normal rate of exchange on our currency, his attention should be called to numerous cases of foreign nations which have

Binding Margin.

5000: Finance---General.

tried it without success. In the first place we have England, which country sent enormous quantities of gold to the United States to re-establish sterling exchange----only to find that it was a case of emptying gold into a bottomless pit, bound to swallow up all its treasures, and to be obliged to resort to other methods: to the limitation of paper currency to the amount absolutely required for the maintenance of the purchasing power of the nation; limitation of budgets and to other means completely different from those formerly resorted to.

"It is very easy to regulate exchanges with rapid and opportune movements of gold when the lack of equilibrium of the balance of payments is the result of transitory declines in exportation or other temporary factors. But it is a different matter when the cause of the depreciation happens to be a permanent deficit.

"If the sale of gold were effected in the present state of world affairs, the consequences would be such as it is impossible to foresee. It is sufficient to know that the market of the United States is so powerful today that it received in fifteen months from abroad a quantity of gold as great as is represented by our entire holdings in the "Caja de Conversion". To lose hold of our gold in such times as these would be to offer to American speculators the facility of buying all the exchange we care to sell, and to later sell it back to us at their own price.

"I do not wish to go more deeply into this subject now, but only will attempt to reply in a manner calculated to illustrate the financial and economic reasons for which the Executive Power has prevented exportation of gold and kept the doors of the "Caja de Conversion" closed. The new Executive projects prepare the way for final conversion and for the future exportation of gold."

National Deputy, Señor Pana, the author of the interpellation calling for the explanation of the continued restrictions on the exportation of gold, replied to the statements made by the Minister of Finance substantially as follows:

"In the year 1899 when there were circulating in the country 391 million paper pesos without metallic guarantee, with out a half gramme of gold for conversion or guarantee, paper which was issued to represent 100 centavos gold, and owing to subsequent issues came to be worth only 25 centavos gold, this paper began to appreciate in value as a result of the huge investments of capital and the growth of the country's trade. As a result of the appreciation it came to be worth 50 centavos gold. The Caja de Conversion went to no trouble other than that of preventing this paper from attaining a value of more than 44 centavos gold, which was done by placing it in circulation at the stated price of 44 centavos gold. Thus, the paper in spite of its lack of gold guarantee and after having been worth 100 and fallen to 25 centavos, appreciated here until it became worth 50 cents gold. The reason was because the total volume of trade augmented to such an extent as to call for more paper money, owing to the greater quantity of gold which had been spread over a similar quantity of paper, and to the need for a proportionate augmentation of paper.

"The law sought to avoid the appreciation in the value of the paper; but, after the country had gone through the period from 1899 to 1914 under the regime of this law of conversion with no variations in the rate of exchange of more than one and a half per cent of difference in the gold point, for in the 20 years period this gold point was never exceeded even by a fraction, the law was completely denaturalised and robbed of its virtues by the Government which closed the Caja de

O.M.A. Report #3342, Aug. 12, 1924.

5000: Finance---General.

Conversion and maintained in circulation a quantity of paper in excess of what was really required.

"To begin with, the most fundamental of the points which interest us is that of salaries paid in bad money, in small paper pesos, and as a consequence of which the cost of living rises and the salary loses its purchasing power, so that what ought to be done before bringing out conversion schemes is to reestablish here in the country the free circulation of gold, monetary conversion will come afterwards.

"On the other hand, what urgency is there at this time for conversion? We are about to adopt---at least that is what the Executive Power proposes---the gold franco. But, what is a gold franco? The word franco itself means nothing, as its gold value differs in each different country. The same applies to the lira which may remain at half its normal value.

"What is urgently needed is the reestablishment of the free play of the monetary circulation; withdraw from circulation the paper which exists to the value of 1,368 millions which figure has been stationary since 1930, when the last gold arrived. We hear of elasticity, but people seem unable to understand that elasticity implies not only the power to stretch but also the power to contract. This is what elasticity is for.

"There is not, as has already been stated, a favourable or unfavourable exchange. All are absolutely and totally unfavourable for Argentine money with the further disadvantage that our debt is principally in sterling. The railways, for example, and all the foreign companies could convert at 53½ per cent, but as they must do so at 41 and a fraction they must increase their tariffs and prices to compensate the difference in the rate of exchange---a circumstance which places a burden upon Argentine consumers and producers.

"Exchange will right itself by doing simply what the authorities of the Caja de Conversion say: opening the Caja, cutting down the circulation of paper money to the present day needs of commerce, and distributing bills at 44 centavos gold and not 33.

"The Executive Power has not made use of the authorization to withdraw gold from the Caja de Conversion for the service of the debt, but has withdrawn 10 millions from the little conversion fund held by the Banco de la Nación, and when this proved insufficient it took 4 millions from the Caja.

"Now another withdrawal of 6 millions is announced. It is true the Minister says, that with 14 millions gold, 10 from the conversion fund of the Banco de la Nación and 4 from the Caja, it has been possible to purchase 2,585,000 and 2,145,000 dollars. But, if we discount from the total of 14 millions the 2,233,078 pesos which the 2,145,000 gold dollars would cost at par, there remains 11,870,770 gold pesos with which it would only have been possible to purchase 2,355,298 if English money were at par. As it is not at par, to acquire these 2,585,000 an additional 229,000 was required, a circumstance which proves the index of depreciation of English currency.

"For this reason, one questions what authority the Minister of Finance has to issue projects or replies to interpellations with regard to what he intends to do to put a stop to the scandalous situation of the treasury notes, of the bills and other bad money which infest several Argentine provinces, when he has the National currency at a discount of 25 per cent."



4530: Railway Net.

Strategic aspects. Relation to natural lines of invasion and to systems of adjacent countries.

The first section of the new Transandine Railway which will connect Salta on the Argentine side with Antofagasta on the Chilean side was inaugurated on July 28th by the Minister of Public Works. The section of line temporarily opened up for service is that which extends from Rosario de Lerma to Tastil. The Director of the State Railways made a speech at the inaugural ceremony in the course of which he referred to the great mineral wealth of the region traversed by the new international line. Apart from the silver, iron, copper, lead and sulphur there were, he said, valuable deposits of borax are found very accessible and near the surface.

The original cost of the work was estimated at \$200,000,000 pesos, but the outlay will actually work out at roughly 72,000,000 pesos or 129,000 pesos per kilometer of line. For the most difficult railway undertaking ever attempted in the mountainous regions of Argentina, this amount was considered very low indeed by the speaker.

Once completed this line will be worthy of consideration as one of the most interesting in the entire system of Argentine railways. The present Transandine Railway---that which connects Mendoza with Valparaiso---consists of something over 200 miles of track. The journey from Salta to Antofagasta will be roughly double that distance. Generally speaking, though, the new line will not compete with the existing Transandine Railway. On the contrary it will open up entirely new and extremely interesting possibilities and will tap the Northern Provinces in a manner which, without the line in course of construction, it would be impossible even to contemplate.

The region directly tapped by the new international railway may be considered as on a line about 700 miles north of that which is tapped and served by the Transandine Railway which runs from Mendoza to Valparaiso. The distance from Salta to Antofagasta is not much more than one third of that from Salta to Buenos Aires, and New York, via the Panama Canal will be to all practical purposes 4,011 miles away, or, in other words, 1,837 miles less than the distance from Buenos Aires to New York by direct route. Cotton grown in Paraguay, in the Chaco, Formosa and in the Province of Salta itself could be loaded in overseas steamers at Antofagasta whence the distance to Liverpool is only 500 miles greater than that between Liverpool and Buenos Aires.

The general prospects of the country are such as to justify every effort to hasten the completion of the line. The increased currents of immigration, which are being anticipated, will mean at least a moderate drift of population to the sparsely settled parts of the country, so that anything calculated to add to the resources of existence available in those parts of the Republic will be of great service to the nation.

G-2 REPORT

OFFICE CHIEF OF STATE  
WIL. INTEL. DIV.

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WIL. INTEL. DIV.

SUBJECT ECONOMIC-----ARGENTINA

(FOR INFORMATION DIGEST)

From ARGENTINA

No. 3353

Date September 22, 19 34

Replying to No. \_\_\_\_\_

Date \_\_\_\_\_, 19 \_\_\_\_\_

5010: National Income-General.

Chief sources of revenue including income from foreign loans.

Another small six months loan has been arranged by the Argentine Government with Messrs Blair & Co., and their associated financial interests. It is for \$5,000,000 U.S. and will take the form of \$1,000 Treasury Bills having six months to run and discounted at the rate of  $4\frac{1}{2}\%$  per annum, and free of commission at their face value. The operation is effected in order to provide funds for the purchase of material wherewith to forestall damage by locust, and the actual purchase was sanctioned last year under Law No. 11,380 but, owing to a variety of circumstances, there was trouble about the acceptance of the tender for galvanized iron sheets, which comprises the bulk of the outlay.

It is understood that the sheets which are to be supplied by the U.S. Steel Corporation are ready for shipment, and as the bills are to be taken with the understanding that the government has the option of renewing for a further six months, should this be desirable, the question of loss on exchange need not be considered for twelve months, assuming the option is exercised.

Binding Margin.

4560: Governmental Policy in respect to railroads.

Assistance and support of railroad construction and operation.

In the closing sessions of the last legislative period, the Executive submitted to Congress a complete plan of railway constructions, having for object the conversion of the present network of State Railways into a system of lines, harmoniously inter-connected, which would permit of rapid communication between the various important centres of the system.

The Committee on Communications and Transport, which undertook the study of the project, has presented its report, which it is proposed to discuss during the present sessions in order that it may become law, and be acted upon at the earliest possible opportunity. The Committee's report endorses the Executive's project in which it has introduced but slight modifications, adding a plan of land settlement in the regions traversed by the future lines and complementary works, having for object the encouragement of transport improvement and industrial development.

To these ends, the project of law allows for construction of loading ramps and goods yards, for the establishment of diligences in combination with the railway, for hydraulic works and water providers, for the improvement of the existing system and the addition thereto of necessary installation and indispensable equipment. The project involves a total expenditure of \$480,000,000 m/n of which \$53,300,000 would be set aside for meeting of outstanding debts and obligations of the State Railways, method of financing also being indicated.

The project provides that the Executive shall continue and undertake the construction of the following lines in which it may invest up to \$220,348,763.62m/n: (1) From Rosario de Lerma to Socompa; (2) Jujuy to La Quiaca, variant of the line, suppressing the tooth-rack and the Paso del Volcan; (3) Embarcación to Yacuibá; (4) Formosa to Embarcación; (5) Metán to Barranqueras; (6) Antilla to Rosario de la Frontera; (7) Catamarca to Tucuman, via San Pedro, Rio Hondo and Leales; (8) Santa Barbara to Santiago del Estero; (9) La Banda to Santiago del Estero; (10) San Juan to Jachal; (11) Mendoza to Algarrobal of the most convenient point in the line from San Juan to Serresuela; (12) Milagro to Quines; (13) Cordoba to La Puerta; (14) Federal to Curuzú Cuatía and to Paso de los Libres; (15) La Paz, Feliciano and San Jaime; (16) Federal to Concordia; (17) San Nicolás to Arroyo Dulce; (18) Patagones to San Antonio; (19) Kilómetro 448 to Nahuel Huapi and (20) Puerto Madryn and Colônia 16 de Octubre.

The Executive is authorised to invest up to \$136,281,886.73 m/n in completing surveys and constructing the following lines and branches: (1) Alemania to Cafayate; (2) Tinogasta to Fiambala; (3) Sancho Corral to Quimilli; (4) Marayes to Patquia; (5) Quines to San Luis; (6) Soto to Villa Brochero; (7) Mendoza to Mira Pampa or Villa Sena; (8) Sasablanca to Rafaela; (9) Narié to Helvecia; (10) Esquina, passing through Sauce to join the line from Federal to Curuzú Cuatía; (11) Bella Vista to Posadas, through the Departments of San Roque, Concepción, San Miguel, Loreto and Ituzáingo; (12) Puerto Paraná to Tabossi; (13) Tabossi, Villaguay, Puerto Colon; (14) San Juan towards Calingasta and (15) Huaná Luan to Fofocahuel and Arroyo Pescado.

The Executive is also authorized to invest up to \$2,550,000 in the expropriation of the Crespo-Hasenkamp section of the Entre Ríos Railway Line in accordance with Law No. 6341.

Another article authorises the Executive to construct, in the ports touched by the State Railways, moles, deposits and such other installations as might be necessary for loading, unloading and accommodating everything constituting the traffic

4560: Governmental Policy in respect to railroads.

of the railway, to which effect it may invest up to \$2,000,000m/n.

The Executive is authorized to invest the sum of \$31,438,000 m/n in additions and improvements to existing lines, such as stone ballasting, renewal of the permanent way, replacement and reinforcement of sleepers, wiring, construction of pillars, etc.etc. Also for the installation of the Block Staff system throughout the Central North Argentine Railway lines, installation of signal-boxes, safety measures in stations, construction of warehouses for the storage of cereals, cotton and sugar, of shelters between the stations of Córdoba and Cruz del Eje, installation of weighing machines construction of firewood deposits, installations for the supply of petroleum, amplification of the track in certain stations, etc.etc.

The Executive is further authorized to invest up to \$25,000,000 m/n in the acquisition or construction of the rolling stock required in the initiation and exploitation of the new lines.

"Colonization" of the Zones of Influence.

Up to 2,500 hectares of land in the vicinity of any of the stations about to be constructed or already existing, in any of the lines referred to in the present law may be declared of public utility and the Executive is empowered to expropriate them whenever it is considered advisable to do so.

Fiscal lands in like manner to those acquired by expropriation---in the event of the line traversing properties of the State-----shall be disposed of by the Executive gradually. The net returns from the sale of fiscal lands and the difference between the purchase and sale price of those acquired from private sources shall be applied to meet the amortization and interest on the bonds issued in accordance with the present law.

O.M.A. Report #3352, Sept. 22, 1924.

4220: Food Products (R-w Material)

Production.

According to a report formulated by the Board of Rural Economy and Statistics of Argentina from information supplied by rural inspectors, travelling officials and honorary correspondents the first forecast of areas sown to wheat, linseed, oats, barley and rye throughout the Republic for the agricultural year 1924-1925 is given as follows:

<u>Wheat</u>	<u>Linseed</u>	<u>Oats</u>	<u>Barley</u>	<u>Rye</u>
7,100,000	2,300,000	1,007,000	255,000	130,000
(All hectares)				

The area sown to these crops represents a total of 10,855,000 hectares being an increase of 264,256 over the area sown last year, and equivalent to increases of 1.9 per cent for wheat, 8.1 per cent for linseed and 1.9 per cent for rye, and to decreases of 3.8 per cent for oats and 1.2 per cent for barley.

O.M.A. Report #3352, Sept. 22, 1924.

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1926 5020 4

## ARGENTINA (Economic)

Subject: Federal Budget:

(b) Current and Proposed Budget.1926

The budget law for 1926, No. 11,333, was passed and approved by the President in August, 1926. The expected revenue and authorized expenditures were as follows:-

<u>Expected Revenues.</u>	<u>Authorized Expenditures.</u>
Customs ..... \$343,100,000	Serv. of Pb. debt \$165,755,623
Internal Revenue 111,066,602	Justice & Educa. 135,321,710
Direct taxes ... 67,847,604	Min. of Interior 109,864,818
Pb. Services ... 54,420,000	Army ..... 66,593,963
Pb. Enterprises. 62,127,893	Navy ..... 47,190,427
State Banks, etc. 10,034,017	Min. of Pb. Works. 22,930,228
State Lotteries. 15,000,000	Min. of Finance.. 28,249,763
Miscellaneous . 12,000,000	Min. of Foreign
	Affs. & Culture 6,907,353
	Min. of Agricul. 20,740,500
	National Congress 5,914,420
	Pensions ..... 26,000,000
	Subsidies ..... 24,639,473
	Supple. Credits & serv. of floating debt ..... 15,000,000
	<u>Total: \$674,916,338</u>
	Pb. Works etc. to be met by negotiation of bonds.... 96,749,471
	<u>\$771,665,809</u>

The figures for actual revenue and monies actually spent during the year 1926 are not available, and the Treasury Dept. states that they will not be available till June. Newspapers report that there is a small surplus. That condition is a surprise as it is understood that ordinary taxes produced thirtynine million pesos less this year than an average year. No logical deductions can be made till the General Accountancy Dept. publishes its resumé.

1927

On January 31st, 1927, the National Congress passed budget law No. 11,389 for the year 1927, and it was duly approved by the President. This budget is similar to the last four—simply some changes made in the budget for preceeding year.

From L.A. Argentina.

Report No. 3794.00 May 4, 1927.

## ARGENTINA (Economic)

Subject: Federal Budget:

(b) Current and Proposed Budget. (Contd.)

The President on April 1st, 1927, published the amounts allotted to each Department which is shown below. There is also shown the expected revenues for the year 1927.

<u>Expected Revenues.</u>	<u>Authorized Expenditures.</u>
1. Customs ..... \$316,130,000.--	A.Nat.Congress..\$ 6,106,031.--
2. Intr. Rev..... 100,620,000.--	B.Min.of Int. 106,419,679.64
3. Direct Taxes .. 67,100,000.--	C.Min.Forn.Affs.
4. Pb.Services ... 59,480,000.--	& Culture 6,627,656.84
5. Inc.Nat.Indus.. 62,347,393.--	D.Min.of Finance 25,321,798.--
6. " Gov.land etc. 1,620,000.--	Pb.Debt ..... 201,756,189.99
7. " Gov.Banks.... 10,034,017.17	E.Just.& Educ. 132,397,415.16
8. Miscellaneous .. 8,070,000.--	F.Army ..... 60,015,237.31
	Army Aviation.. 1,683,816.--
\$625,461,910.17	Civil Aviation 250,000.--
	G. Navy ..... 43,260,882.75
Subsidies:	Navy Aviation 621,180.--
Nat.Lotteries..... 15,000,000.--	H.Min.of Agri. 18,722,048.--
Perfume & Nat.med. 7,166,602.40	I.Min.of Pb.Wks 22,754,747.--
End. to Gov.Hosp.. 270,000.--	J.Pensions .... 20,348,747.30
End.Gov.Hos.Chaco 12,000.--	
22,448,602.40	Total...\$646,795,428.99
	L.Pb.Works.....\$147,892,536.--
	Supple.credit 25,000,000.--
	(to be met by
	bonds.) \$172,892,536.--
	Total Aviation \$ 2,554,996.--

NOTE: All figures are in paper pesos.

Sources:  
Office files  
Commercial Attaché  
Treasury Dept. Argentine Gov't.

From *C. D. [Signature]*  
L.A. Argentina.

Report No. 3794. May 4, 1927.

G-3 Report

OFFICIAL 34  
MIL

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NOV 11

ECONOMIC-----

4000

Subject: The General Economic Situation---Basic

Elements.

(b) Barren of Economic Development.

RECEIVED G. 2 W. D. NOV 10 1925

The following information is supplied in regard to industrial and financial standardization concerning:

**Currency:** The basis of the monetary system of the Argentine Republic is the gold peso of 1.139 grammes of 900/1000 parts of fine gold or the silver peso of 35 grammes of 900/1000 parts of fine silver. In practice neither gold nor silver coins are used or coined. All commercial transactions are effected in paper money which is guaranteed by gold bullion or currency deposited in the Money Conversion Office (Caja de Conversión) which was created by law (No. 3741) in October, 1899, to assume charge of all operations relative to the issue, conversion or amortization of the paper money.

The object of the establishment of the "Caja de Conversión" was to minimise the fluctuation in the value of the paper money in its relation to gold, but it was not until the Money Conversion Law (Ley de Conversión) was passed in November 1899 that the value of the paper money became stable. The "Ley de Conversión" established that the total issue of paper money then existing (\$293,018,254,) should be convertible into a guaranteed gold currency at the rate of 44 cents gold for each 100 cents paper (or peso moneda nacional de curso legal) thus fixing the minimum official value of \$100 gold at \$227.27 m/n (pesos moneda nacional de curso legal).

According to the "Argentine Annual" the total amount of Argentine paper money in circulation on the 28th of October, 1925 was as follows:

In bank notes.....	1,293,449,398.50
In nickel coins.....	25,478,483.30
In copper coins.....	869,958.02

\$1,319,797,739.72 m/n

The gold in the Caja de Conversión to guarantee the issue of paper notes totalled \$451,782,984,018 gold.

Argentine paper in recent years has not suffered inflation from uncovered emissions, other than the credit inflation of the floating debt. The gold reserve against the paper currency issued is 77.8 percent.

#### Weights. Measures.

The legalised system is the metric, but the Spanish system is still used a great deal. Some provinces utilise the old Argentine systems. In this connection the following is of possible interest:

1 Legua (Spanish) (league) = 6,000 varas = 3.228703 miles.  
1 Legua (Argentine) (League) = 3.106912 miles.

The square league (square league) varies in some provinces and in the National Territories.

In Buenos Aires Province 1 square league = 1,300 squares = 6,672 acres.  
National lands, 1 square league = 1,300 squares = 6177.85 acres.

From: *[Signature]* Report #3703  
M.A. Buenos Aires

Sept. 30, 1926.



4-2 10,000

4-1 2347-2-30

SEP 16

ARGENTINA (Economic)

Subject: Federal Budget.

(a) Federal Budget:

Principal Revenues for years indicated:

REVENUES FOR THE YEAR 1927

Sources:	1913	1914	1915	1923	1926
Imports:	109,177,701	110,362,102	111,455,391	242,497,506	285,665,910
Exports:	-----	-----	50,889,937	25,157,208	17,675,346
Licenses:	4,105,160	3,967,608	6,628,756	9,116,704	10,835,715
Stamped paper:	16,319,034	13,412,795	18,093,127	28,703,636	39,359,138
Posts:	-----	-----	-----	-----	-----
Telegraphs:	17,135,618	15,493,678	17,912,926	27,418,947	35,212,066
Public Serv.:	18,168,258	14,397,777	12,792,677	35,919,421	47,372,013
Prov.:	-----	-----	-----	-----	-----
Taxes:	200,000	2,231,930	2,245,349	7,229,498	2,573,507
Debt:	-----	-----	-----	-----	-----
Drinks:	-----	-----	-----	-----	-----
Tobacco, Cards:	52,898,705	42,563,553	49,131,274	95,347,517	97,721,874
Total:	-----	-----	-----	-----	-----
Ordinary:	349,299,429	250,067,601	297,573,216	524,099,242	629,686,725
Budget:	-----	-----	-----	-----	-----
Subsidies:	15,016,000	12,675,603	11,008,353	18,342,908	20,348,142
Total:	364,315,429	262,743,204	308,581,569	542,442,150	650,034,867

Export taxes were instituted during the year 1915.

From: M.A. Argentina

Report No. 3823.

August 12, 1927

## ARGENTINA (Economic)

Subject: Federal Budget.(a) Federal Budgets.

## PRINCIPAL EXPENDITURES:

Dept.	1913	1914	1915	1923	1926
Army	33,517,562	35,836,006	31,230,096	37,225,302	76,526,409
Navy	24,635,480	37,866,247	31,917,160	44,134,824	56,221,037
Justice & Education	56,137,999	64,430,412	69,508,532	95,370,356	98,267,581
Interior	48,152,271	51,544,196	48,625,768	74,771,575	76,945,839
Public Works	19,176,339	19,908,394	26,161,906	14,951,921	32,192,546
Finance	21,382,740	24,488,128	31,279,389	22,866,323	21,806,294
Foreign Affs. & Culture	5,705,038	4,913,801	4,440,879	5,976,987	8,777,074
Agriculture	16,722,037	15,272,249	13,494,710	14,935,164	21,153,954
Pensions	14,385,960	14,544,329	16,752,329	20,003,605	19,644,305
Special Annex	57,300,768	37,314,877	13,434,834		83,940,195
National Congress	4,840,368	4,883,738	4,591,962	5,686,846	5,734,159
Payment on Public Debt	81,121,984	82,152,547	118,337,667	117,752,924	149,645,471
Supp. Credit Public Mns. - Bonds	8,603,359	14,409,100	570,696	78,413,598	66,804,299
Charities	11,346,972	12,675,579	10,104,457	17,812,307	18,463,510
Total	403,438,976	419,639,606	421,953,107	632,341,104	740,284,127
Revenues	364,315,429	262,743,204	308,581,569	542,442,150	650,534,867
Difference	39,123,547	156,896,402	112,471,538	89,898,954	89,749,260

From: M.A. Argentina.

Report No. 3823.

August 12, 1927.

ARGENTINA (Economic)

Subject: Federal Budget

(a) Former Budgets.

Revenues within the meaning of this report, is the money received by the Government from all resources of the Country or "Rentas Generales" - General Income. This does not include money received from the sale of internal or external bonds or increase in the floating debt. Expenditure is understood as all money spent by Governmental agencies as reported by the Secretary of the Treasurer. It is the custom here to include in the revenues, money received from the sale of Bonds; hence unless the public debts are carefully examined in considering a report on any budget, the result is misleading.

There is attached an Annex to this report which is the official source from which the information for the foregoing tables has been taken.

Page 1. of the Annex shows a list purporting to be the resources and expenses for the years 1910 to 1926. Taking the year 1923: Resources: \$679,833,429 m/n; Expenses \$668,046,886 m/n; with a surplus of \$10,986,443. Examining in detail the report of the General Accounting Office for that year it will be noted that the revenues of the country brought in \$524,099,242 plus lotteries and Subsidies amounting to \$10,342,908 m/n or a total of \$534,442,150 m/n; The total money spent as shown on "Cuadro No. 24 of that year shows \$632,341,104 m/n or a deficit of \$89,698,954 m/n.

Page eight of the Annex from the Report of the Secretary of the Treasurer for the year 1925 shows how the surplus reported was determined.

The President announced a surplus for 1926 and the Secretary of the Treasurer in his annual report claims a surplus of \$4,076,455 m/n. The figure of \$629,686,725 m/n is given as resources and \$625,610,370 m/n as expenditures; full details are shown on pages 9, 10, 11 of the Annex. Notwithstanding this the very next page of the Annual Report shows an expenditure of \$96,210,347 m/n. Under heading of Bonds for public Works, Transferred Credits, Special Laws and Cabinet Agreements; which means that certain expenditures are charged against the annual budget and others, for example "Cabinet Agreements" are arbitrarily paid from Bond issues without any Congressional authority.

There will be noted in the Annex an item "Acuerdos de Gobierno". These are funds spent by decree of the President with the approval of the Cabinet only. The constitution provides for such expenditures when the National Congress is not in session in cases of external or internal disorders and when it is necessary to intervene in the affairs of the provinces to re-establish the republican form of Government. During 1915 to 1925 some \$350,000,000 m/n were so spent for every imaginable purpose. The Socialists in the Congress recently called

From: P.A. Argentina

Report No. 3823.

August 12, 1927

## ARGENTINA (Economic)

Subject: Federal Budget.

(a) Former Budgets (Cont'd)

on the Cabinet to explain. The defense of the Secretary of the Treasurer was "Custom", inertia in Congress and had Congress audited the accounts as provided by law, this condition would have been discovered years ago. The Socialist members also made the point that the Executive Department was always late in sending to Congress the proposed budget. This is correct. Congress was supposed to Convene on May 2nd. The estimate for the 1928 Budget has not yet been sent to Congress.

The Budget has received very little attention and in some years, none, from the National Congress. In their Campaign of 1915 the Radicals promised a "Scientific" Budget. Here is how they have lived up to their campaign pledge.-

The present budget law No. 11389 is merely an extension of law No. 11333 with a few additions. This in turn was a renewal of the 1925 Law No. 11319 which is nothing more than a duplication of Law. No. 11260 which governed in 1923 and 1924. The first clause of this law decreed the law No 11027 of 1920 to be in force. The 1920 Law was the basis for Laws 11178 and 11188 for 1921 and 1922 respectively. But the Budget for 1920 was no more than a copy of Law No. 10227 of 1917 which had remained in force during 1918 and 1919. Thus the 1927 budget through a series of renewals goes back to the 1917 budget which was projected during the administration of the Conservative President de La Plaza.

## Sources:

Memorias del Ministerio de Hacienda  
Contaduria General de la Nación.

  
From: M.A. Argentina.

Report No 3823.

August 12, 1927

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SEP 17

SECRET (Security)

Summary of Public Debt  
 1927-1928  
 1927-1928

1. Before taking up in detail the Domestic and Foreign Debt, a few remarks will be made on the general debt situation. The principal items which go to make up the national indebtedness of this country are:-

1. The consolidated debt (internal and external)  
 \$1,345,354,777 m/n. (December 31, 1926).

The general purposes for which this indebtedness was incurred are:-

Consolidated debt up to Dec. 31st. 1926	\$1,345,354,777.56
A).- Public Works	\$1,164,460,532.16 - 86.6%
B).- Consolidated debts	" 326,965,776.63 - 24.2%
C).- Armaments and expenses for national defence	" 59,203,990.00 - 4.4%
D).- Provincial Debts	" 153,184,367.15 - 11.4%
E).- Rescission of R.R. guarantees	" 72,300,145.45 - 5.4%
F).- Increase capital Natl. Bank	" 29,196,318.10 - 2.2%
G).- Sundries	" 40,455,098.18 - 3.0%

2. Floating debt (Apr. 30, 1927)..... \$396,059,091 m/n

This is all internal and consists of:

Short term loans.....\$345,150,000 m/n  
 Dif. in exchange ..... " 35,000,000  
 Banco de la Nacion  
 Con. Fund Advance ..... " 15,909,000

To convert this into a consolidated, 33 year loan will raise the above figure to about four hundred twenty million pesos.

3. State Railway Debt. This debt at the end of 1924 was \$142,000,000.

It is now estimated at ..... \$180,000,000 m/n

2. The sum of these figures will give a per capita indebtedness of about \$237 m/n or \$100.00 U.S.

3. In addition to the above, Congress has already authorized Bond issues for Public Works and Sanitary Works up to the sum of \$500,000,000 m/n. These bonds have not been issued and the Sec. of Treas. states that they will not be issued till necessary to pay for work completed.

4. It is of interest to note the relation between

From: H.A. Argentina. Report No. 3826. August 22, 1927.

ANNUAL REPORT (1927-28)

Subject: Public Debt.

The service of the Public Debt and General Accounts for the years 1927 to 1928 is as follows:-

Year	General Income	General Expenses	Balance
1907	242.40.377.15	13.663.735.72	26.2
1908	254.231.953.00	65.344.904.65	25.3
1909	275.165.949.66	61.561.720.45	25.6
1910	302.405.694.35	66.393.153.66	21.9
1911	310.523.678.57	67.114.768.35	21.6
1912	336.366.473.06	71.353.555.51	21.2
1913	349.299.429.18	81.121.993.47	23.2
1914	240.087.661.15	82.152.747.49	34.0
1915	230.251.205.77	83.896.453.44	36.4
1916	232.535.318.35	85.252.062.51	36.0
1917	228.243.358.17	95.610.109.19	41.3
1918	297.573.213.16	118.573.600.62	39.2
1919	368.365.774.96	117.142.950.97	31.0
1920	481.418.859.14	113.470.008.89	23.5
1921	421.056.566.31	118.145.924.20	28.0
1922	427.477.256.43	119.326.536.31	27.9
1923	524.099.241.81	117.752.923.73	22.4
1924	574.905.457.06	129.567.527.70	22.5
1925	640.333.643.62	128.780.008.26	20.1
1926	629.600.724.61	149.645.470.82	23.7
1927 (1)	646.799.428.89	261.750.139.90	31.0

(1) Estimated.

5. There is another institution of the government which merits consideration when studying the public debts, finances, etc. of Argentina. That is the Banco Hipotecario Nacional or National Mortgage Bank. Under the law this Bank on the authority of the Administration can lend money on real estate up to \$1,500,000,000 m/n. Against these mortgages the Bank sells 'Cedulas' to the public which cedulas at their present price on the Stock Exchange yield about six per cent. The status of these loans to date are:

Grid up-to-date .....	\$576,612,825 m/n
6 Months over-due .....	"246,637,175 "
1 Year " " .....	"132,133,475 "
1 1/2 Years, or more overdue	"152,112,500 "
Total:-	\$1,408,395,975 m/n

That is, about 38% of the loans are overdue and unpaid. The Cedulas are guaranteed by the federal government. Should this condition continue or a larger percentage of the loans remain unpaid and then there occur crop failures in two or more succes-

From: P.A. Argentina. Report No. 3826. August 22, 1927.

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ARGENTINA (Economics)

Subject: Public Debt.

sive years, it is easy to imagine considerable financial embarrassment for the government.

From: M.A.Argentina.

Report No.3826.

August 22,1927.

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ANNUAL (1911-1927)

Subject: Public Debt

(a) Domestic Debt.

In circulation, Dec. 31, 1927.....\$17,411,027.27

Date of Cession	Priority	Int.	Mat.	Issued	In Circulation
1907	--	4 1/2	1	196,000,000	5 820,100 oro
1907	1904	5	1	35,000,000	24,972,300 "
1909	1905	5	1	50,000,000	37,962,300 "
1910	1907	5	1	5,043,000	4,720,500 "
1911	1910	4 1/2	1	70,000,000	56,451,500 "
1916	--	5	1	22,000,000	19,232,900 "
1917	1913	5	1	30,000,000	27,109,600 "
1921	--	6	1	26,400,000	25,298,900 "
1920	--	5	1	6,000,000	2,610,500 m/n
1902	--	5	1	28,000,000	7,394,400 m/n
1904	--	6	1	10,000,000	10,000,000 "
1905	1901	5	1	100,000,000	60,951,180 "
1909	--	5	1	13,630,400	12,103,000 "
1911	1907	5	1	100,000,000	80,303,000 "
1913	--	6	1	3,461,700	509,800 "
1920	---	5	1	20,500,000	19,270,200 "
1921	--	6	1	15,000,000	14,561,600 "
1922	1916	6	1	60,000,000	57,941,800 "
1924	--	6	1	99,151,000	96,955,700 "
1925	--	6	1	44,070,000	43,717,700 "
1925	--	6	1	15,000,000	14,923,000 "
1925	--	6	1	36,000,000	36,000,000 "
1926	1919	6	1	42,350,000	42,350,000 "
1926	1919	6	1	25,000,000	25,000,000 "

From: M. A. Argentina Report No. 3626

August 22, 1927



INTERNATIONAL (Economic)

Subject: Public Debt.

(a) Public Debt. (cont'd)

1926

Balance Dec. 31, 1925..... \$10,465,600 m/n  
(Annual Report of Treasurer 1926)

Total issued 1926..... 36,700,000  
Total A.M.D. 1926..... 46,665,347  
Difference

46,665,347

Total Dec. 31, 1926..... \$47,125,627 m/n

The carrying charges on these debts have been maintained promptly, as well as the amortization as planned. This may be noticed from the difference between the original amounts and those now in circulation.

All energy of the administration during the past few years has been to consolidate the national debt and wipe out the floating debt so that there has really been no efforts towards reducing the internal obligations. The floating debt has been considerably decreased till now all of the latter is held in the country. This has been it is true, at the expense of the consolidated debt, as has been seen from 5000 the country has been and still is going in debt more each year.

The domestic credit of the government is good for it has met promptly all its obligations whether they be long term bonds or short term securities. It is specially good now, for at the head of the Treasurer is a man who is very efficient and skilful in handling the finances of the government. All of his recommendations are not followed by the Administration as he is very much against such large expenditures at this time for Public Works and armaments.

This country can, and does absorb considerable quantities of government loans. Practically all of the peso loans are held here and a glance at the above figures will show what has been done in the past few years. I am informed by a member of the Stock Exchange that the last \$25,000,000 m/n internal bonds issued in 1926 have not all been sold. It may be noted also that the budget for 1927 carried an authorization for \$142,000,000 m/n bonds for the payment of the State railroads' debt. This is just now being issued as noted under (c). The market just now and for the past few months is more or less flooded with these loans. Then too, the cedula issues take up a considerable amount of surplus money of the country. Members of the Stock Exchange here consider this market good for internal federal loans.

From: M.A. Argentina. Report No. 3326.

August 22, 1927

CONFIDENTIAL (Secret)  
Subject: Public Debt.

(A) Foreign Debt.

The Argentine National Government has always enjoyed an excellent credit abroad. Prior to the world war, England was her principal lender, though some of her external loans also went to Germany and France. The period from 1914 till 1919 was the most difficult one for this country. World commerce was so reduced that customs receipts were not sufficient to pay their proportionate share of the governmental expenses. Also this country was deprived of many imports in manufactured goods, so many industries sprung up in this country which required funds to maintain. The harvests however were good and it was at this time that Argentina began to impose a tax on exports which is continued to this day. Most of the money markets of the world were closed. This country had to resort to short term loans in the country. The consolidated debt during this period remained stationary however the floating debt increased from two hundred and forty-six million pesos to five hundred and seventy-six million. Since the War New York has furnished practically all of the money for foreign loans of Argentina. This year a hundred million peseta loan was floated with Spain. Many papers said that it was more sentiment than profitable business. England has a heavy tax on foreign loans which forces her from this bond market at present.

Total Foreign Debt, Dec. 31, 1926 .....\$3008,423,750.29  
Amount per capita.....\$66.25/n or  
36.70 U.S.  
Total Int. and Amort. charges, 1926.....\$70,332,371 n/n

ITEMIZED CLASSIFICATION TO JULY 1, 1927

Date of Origin	aturity ity	Int. :	Amort. :	Orig. issued	Now in Circulation
1886-87	1929	5%	Cum. S.F. 1% per annum	\$ 3,290,100	\$ 1,598,000
1887-8-9	1932	5%	Cum. S.F. 1% per annum	\$ 3,968,200	\$ 1,347,000
1887	Expir. of 8kg. 25.	5%	Cum. S.K. 1% per Ann orig. 1%	\$10,291,000 oro	\$ 519,500
1887	1924	5%	Cum. S.F. 1% per Ann.	\$ 624,000	\$ 136,100
1889	1928	4 1/2%	"	\$ 5,263,560	\$ 1,998,580
1889	1931	3 1/2%	"	\$ 2,649,500	\$ 511,800
1890	1934	5%	"	\$ 2,976,000	\$ 1,139,400

From: H. M. Argentina. Report No. 3826. August 22, 1927

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UNITED STATES  
DEPARTMENT OF THE TREASURY

ANNUAL REPORT (Continued)

UNITED STATES DEPARTMENT OF THE TREASURY (Continued)					
Year	Period	Rate	Unit	Amount	Circulation
1920-21	1920	1%	per annum	\$ 2,000,000	\$ 152,300
1921	1921	2%	"	\$ 4,234,400	\$ 3,007,600
1922-23	1922-23	4%	per annum	\$ 11,607,100	\$ 6,437,600
1927	1927	4%	"	\$ 6,746,032	\$ 4,721,171
1928	1928	4%	"	\$ 1,527,778	\$ 1,035,453
1929	1929	4%	"	\$ 3,035,376	\$ 2,061,206
1930	1930	4%	"	frances 90,000,000	frances 75,267,000
1930	1934	4%	"	\$ 2,328,515	\$ 2,174,534
1930	1936	4%	"	\$ 1,628,360	\$ 1,108,030
1930	1937	4%	Cum. S.F.	\$ 1,021,302	\$ 693,501
1938	1964	4%	per annum	\$ 318,100	\$ 683,700
1909	1946	5%	per annum	\$ 2,976,180	\$ 2,061,960
1910	1967	4%	"	\$ 466,269	\$ 350,837
1913	1949	5%	per annum	\$ 1,295,200	\$ 1,023,000
1913-23	1949	5%	"	\$ 4,601,000	\$ 4,242,900
Jan. 1924	1957	6%	"	US\$40,000,000	US\$ 39,341,500

From: U.S.A. Argentina. Report No. 3826. August 22, 1927.

ARGENTINA (Economic)

Subject: Public Debt.

(b) Foreign Debt (Cont'd)

INDEXED CLASSIFICATION TO JAN 1st, 1927 (Cont'd)					
Date of Origin	Year	Int. Amorti- tion	Int. Orig. : Issued	Now in Circulation	
Dec. 1924	1958	4%	1 1/2 per Annum	US\$ 30,000,000	US\$ 29,046,000
June 1925	1959	6%	S.F. to retire on maturity	US\$ 45,000,000	US\$ 45,000,000
Oct. 1925	1959	6%	"	US\$ 29,700,000	US\$ 29,700,000
May 1926	1960	6%	Cum. Semi. Annual S.F.	US\$ 20,000,000	US\$ 20,000,000
Oct. 1926	1960	6%	"	US\$ 16,900,000	US\$ 16,900,000
Feb. 1927	1961	6%	Cum. S.F. 1 1/2 per Annum	US\$ 27,000,000	US\$ 27,000,000
May 1927	1961	6%	"	US\$ 21,200,000	US\$ 21,200,000
1927	---	6%	"	100,000,000	100,000,000
				pesetas	pesetas

1926

Total Debt Dec. 31, 1925 ..... 833,205,969 m/n  
 (An. report Sec. of Treasurer 1926)  
 Issued in 1926 ..... 86,916,889  
 Amortized ..... 31,699,108 Dif. 55,217,781

Total Dec. 31, 1926 ..... \$ 888,423,750 m/n

The present debt situation has little if any bearing on foreign relations. The country is spending more each year than its revenues; however its per capita debt is low and it has far to go before any trouble need be feared. Its debt however is not the result of any unusual conditions as with some other countries (world war) but simply living beyond its means. Considerable part of the debt is for public works and there is much yet to do in the way of roads, docking facilities, etc. The Secretary of the Treasurer has sounded a warning that governmental expenses should be cut and that Congress should not vote more bonds for public works. It is the current opinion here that each year the governmental pay roll is increased and next year being election year, it will probably be worse than ever. The budget is now three months late going to Congress.

From: M.A. Argentina. Report No. 3826. August 22, 1927

SECRET (Declassified)

Subject: Public Debt.

Argentine Republic

The report is that the Gov. of Buenos Aires is holding it up, trying to persuade the Cabinet Ministers to reduce their expenses within the expected revenue. The country has a Gov. who is very wise and on the confidence of local and foreign bankers. His policies and recommendations however are not always supported by the President.

There is no tendency to reduce the foreign debt. On the contrary it is increasing each year.

MEMORANDUM (Continued)

Subject: Internal Debt.

(c) Acquisition of New Loans.

1927. Internal

In Dec. 1927 a loan of \$27,000,000 U.S. was placed with Foreign Co. in Natl. City Bank at 7% with 6% interest and 1% amortization per year. The loan matures in 1961. It was for the purpose of paying a loan for similar amount due 1927 and bearing 7%.

In May 1927 a loan of \$21,200,000 U.S. was placed with same firm as above. These bonds were sold to the Bankers at 97%. They bear 6% interest, 1% amortization and are due in 1961. These were issued under authority of law 11,373 (Budget 1926) and proceeds to be used for public works.

In May 1927 a loan of 100,000,000 pesetas was made with Spanish Government. They were sold for 97%, bear 6% interest and 1% amortization. They were issued under authority of Law 11,266 and 11,373 for purchase of Armaments. To be paid from this loan are two cruisers "Churruarín" and "Alcalá Galiano" purchased from Spain. It was announced that munition also would be purchased from Spain. There was much propaganda in connection with this loan with the Mother Country. The price of the boats has not been made public.

No new Foreign loans are now being negotiated. Law No. 11309 authorized \$142,000,000 m/n bonds to pay the debts of State R.R. debts to the end of 1924. Congress insisted that this be an internal loan. This law was passed in February and only now steps are being taken to float the loan while the Bankers claim the market is good for floating domestic loan it could not absorb any such quantity. The Secretary of the Treasury, however, has announced that \$42,000,000 m/n would be floated as a domestic loan. Of this \$25,000,000 at present. This will be a 33 years loan bearing 6% interest, 1% amortization. The National City Bank of New York, Buenos Aires Branch, is taking \$10,000,000 m/n, and a syndicate of Argentine private citizens is taking the other \$15,000,000. There is a rumour that in addition to this \$5,000,000 m/n has been allotted to an Italian Bank.

The Secretary of the Treasurer told Mr. Little, Manager of the National City Bank, Buenos Aires, that no more internal loans would be floated this year; and that Congress would be requested to authorize a foreign gold loan for the remaining \$100,000,000 m/n of this authorization. Although money is easier, the country could not absorb any such quantity.

The floating loans, internal are being renewed on the customary terms: six months at 4 1/2% interest per annum.

Sources: Memoria Ministerio de Hacienda 1926 - Memoria de la Junta de Administración del Crédito Publ. Nacl. 1925. Memoria Banco Hipotec. Nacl. 1926 - Nat. City Bk. Bs. As. Wick & Co. Stock Brokers, Buenos Aires, - Boston Bank, B.A.

From: *P. R. Argentina* Report No. 3826. August 22, 1927.

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ARGENTINA (Economic)

Subject: Financial.

(a) Stability.

W.D. No. 28 1927  
The National financial stability of Argentina is excellent. The per capita debt is not over \$100 U.S. while the capita wealth is something like \$1400. The paper issue of currency is backed by one of the highest gold reserves in the world and with the paper peso slightly above par. Interest and amortization of public debt have always been met promptly and the National Government Securities enjoy a good market the world over.

The prosperity of the country depends absolutely on the quantity produced and prices received for its agricultural products. From a standpoint of quantity, 1927 will probably show the largest in the history of the Republic. On the other hand due to conditions explained elsewhere the meat trade is running at a loss to producers. Shipments however continue in large quantities with export revenues to National Government. Commercial failures have been extremely high during 1926 and the first half of 1927. This has little effect on the National stability and is due to some extent to secretive banking methods mentioned in (d) of this chapter.

Argentina since the financial crisis of 1890 has steadily improved his financial position and increased the metallic reserves of her paper currency. This country of late years has not experienced wild fluctuations of currency and credit through which so many countries have passed. Since 1890 its progress to a firm financial system has been steady and sure. Government inefficiency and extravagancy, need of currency reforms, antiquated banking laws, increase of National debt for non productive purposes (armaments, etc.) have been charged against this and previous administrations and doubtless with considerable truth. In spite of these things and the fact that the wealth of Argentina is centered in one industry (Agriculture) this country during the past 30 years has steadily progressed until today its national financial stability would easily be classed among the first countries in the world. This is due principally to: Resources and National wealth of the country; Economic progress in the last 30 years; proven stability of Government and Constitution; standard of education and civic progress; soundness of currency and banking system; and the satisfactory financial record as evidenced by scrupulous compliance with all debt obligations during the past 30 years.

From: M.A. Argentina. Report No. 3836.

October 26th, 1927

## ARGENTINA (Economic)

Subject: Financial.

(b) Currency and Exchange.

The basis of the monetary system of Argentina is the gold peso of 1.6129 grammes of 900/1000 parts of fine gold or the silver peso of 25 grammes of 900/1000 parts of fine silver. In practice neither gold nor silver coins are used or coined. All commercial transactions are effected in paper money which is guaranteed by gold bullion or currency deposited in the Money Conversion Office (Caja de Conversión) which was created by Law No. 2741 in October 1890 to assume charge of all operations relative to the issue, conversion or amortization of the paper money. The object of the establishment of the "Caja de Conversión" was to minimise the fluctuation in the value of the paper money in its relation to gold but it was not until the Money Conversion Law (Ley de Conversión) was passed in November 1899 that the value of the paper money became stable. The Ley de Conversión established that the total issue of paper money then existing (\$293,018,258.44) should be convertible into a guaranteed gold currency at the rate of 44 cents gold for each 100 cents paper (or peso moneda nacional de curso legal) thus fixing the minimum official value of \$100 gold at \$227.27 m/n (pesos moneda nacional de curso legal).

CONVERSION FUND

The "Caja de Conversión" is authorized to issue and deliver to whomsoever demanded it, legal tender notes for gold coin in the proportion of one paper peso for 44 cents gold, and to deliver the gold it thus received in exchange for paper money, at the same rate of exchange.

The Conversion Law worked in an entirely satisfactory way until the war when it was feared that the extraordinary conditions reigning would result in the conversion of nearly all the paper money into gold this depriving the Country of sufficient currency with which to carry on transactions. The law was therefore passed on September 30, 1914 authorizing the Government to continue at its discretion the suspension of issue of gold in exchange for paper by the Caja. The export of gold was also prohibited.

Another law authorized Argentine Legations to receive gold in deposit against which the "Caja de Conversión" in Buenos Aires would issue the corresponding paper currency.

The Caja was empowered to issue an emergency paper currency in connection with a rediscount scheme, it being the opinion at the time that the thirty million dollars gold held by the Banco de la Nación on Conversion account, and which were to be used for rediscounting purposes, would not be a sufficient sum. The reverse happened. The Caja did not issue a single note of this emergency currency. The Banco de la Nación sent only twenty of the thirty millions gold for exchange to paper, and this was found adequate.

From: M.A. Argentina. Report No. 3836. October 26, 1927



## ARGENTINA (Economic)

## Subject: Financing.

(b) Currency and Exchange. (Cont'd)

During 1927 in the month of August the "Caja de Conversión" was reopened. As to the prohibition on exporting gold, the Supreme Court of the Republic had already ruled that Government could not enforce such a law as the condition for which the law was passed, no longer exists.

The value of the paper peso at present is slightly above par.

The Caja de Conversion is the sole emitter of currency. Some of the Provinces undertook to issue currency of their own, however this has been discontinued by order of the National Government.

During the past years Argentina has been building up the metallic reserve in regard to paper currency. Today it is approximately 78 % which is one of the largest in the world.

There has been some agitation on the part of the Secretary of the Treasury to change the monetary system. In 1924 a project was sent to Congress but like so many other projects, it was never considered. In his annual report for 1926, the above Cabinet officer stated that the existence of a National peso in paper which has the nominal value of 100 centavos and equivalent in gold of 44 centavos, was unsatisfactory from several view points. In some markets where the system is not thoroughly understood, there exists some doubt or suspicion of the money itself and leads people to believe that a great mass of paper money exists without metallic guarantee.

During the past years when the "Caja de Conversion" was closed there was considerable fluctuation in the paper peso, however since the large harvest of 1924 the peso has been gradually improving and although the balance of trade in 1925 and 1926 was against Argentina the peso did not lose much ground. With the large export business of 1927, the peso has moved up to par and at present is slightly above par.

The Caja de Conversion, has now been opened, so fluctuation cannot possibly be very great. This naturally gives a greater sense of security to both foreign and domestic business.

## ARGENTINA (Economic)

Subject: Financial

(c) Taxation.

The estimated capital wealth of Argentina is \$14,000,000,000 U.S. This is considered a conservative estimate. The United States Department of Commerce figure for 1918 was \$13,878,800,000 U.S.

The principal forms of National taxation are: Duties on imports and an export tax, the total yielding around 55% of the total revenue. Inland Revenues, 20%; Ports and Tel. 5%; stamped paper 5%; Land Tax 2%; National Lottery 3%; and the remainder of revenue from licenses, sanitary and water works, sales and leases of public lands.

About fifty percent of all revenue is from imports. Hence this large percentage is distributed alike among rich and poor in accordance with their use of imported goods. This import tax is for two purposes, for revenue and for protection of native industries. The large land owners and richer people of the country pay relatively little tax.

In 1924 several missions were sent abroad to study the income tax as applied in other countries but no legislative action has been taken along those lines here.

The only special levee which might be mentioned is certain subsidies, the revenue of which is used for charity. Likewise the National lottery tax also goes to charity.

There is absolute equality of foreigners and Nationals under the tax laws.

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ARGENTINA (Economic)

Subject: Financial.

(a) Banking.

The banking system in Argentina varies considerably from that used in the United States. The system here may be described as similar to the German banking methods as modified by British influence.

The first bank was established in 1802 by foreign merchants in Buenos Aires and the system adopted during those earlier days has later been guarded or specified in the commercial Code of the Republic. Some of the principal differences between the system here and the United States might be mentioned: All checks are numbered by the Bank and issued to an individual on receipt; payments by the Bank will be made to such individuals on those checks and no others; all checks carry a five centavo stamp; checks drawn in Buenos Aires on Buenos Aires Banks must be presented in 15 days and a limit of 30 days for checks drawn in other parts of the Republic; in general the individual receiving checks is responsible for guarding such checks and should a forged check be presented at a bank of that special series of numbers the individual would lose and not the Bank; if a bank pays a check when there are no funds nor sufficient funds, the bank loses and the offender is not subject to criminal action; checks cannot be typewritten nor any alteration of any kind may appear on same.

In studying this subject one is impressed with the existence of a very low spirit of security in financial dealings. Justice is not swift and sure against offenders nor are the laws themselves sufficient, so there exists an atmosphere of distrust and suspicion in this industry as well as other business circles. This trait is one of many which the people of this country have inherited from their colonial forefathers.

The same spirit enters into the Banking practice. For 13 years the "Caja de Conversión" was closed so no exchanges of paper pesos for gold could be made. The Government was afraid that all of the gold would be taken out of the country. A metallic reserve of about 80% is maintained which is one of the boasts of the country when as a matter of fact it is too much for the scarcity of paper money slows up business and increases rates of interest for money advances.

Checks are not used for payments as fully as in the United States. This lessens deposits in the Banks and makes very cumbersome some business transactions.

Each bank receives a charter from the Government to engage in one of the three classes of recognized banking business. Banks of deposits and discounts; Mortgage Banks, which make loans on real property; and Loan Banks which are small institutions which lend money on personal property. There is no general banking law governing scope of transactions. Activities of these institutions are limited only by general provisions of Criminal and Commercial Codes which apply to other business institutions.

From: M.A. Argentina. Report No. 3836 October 26, 1927

## ARGENTINA (Economic)

Subject; Financial.

(d) Banking;Government Banks:

The principal Government Bank is the Banco de la Nación. It was organized in 1891 after the general bank failures in Buenos Aires due to real estate speculations and crop failures. The capital and reserve of this bank is about 30% of the total of all banks. Some of the provisions of the law governing its operations as follows:

"The Banco de la Nación may carry on all banking transactions deemed advisable by the Directors and which are not prohibited by law.

The Board of Directors will be composed of a President and six members named by the Executive Power with the agreement of the Senate. Their term will last four years; one half of the members will be renewed every two years. The President and the Members may be re-elected. The Board of Directors will proceed to name in their first session, a Vice President who will take the place of the President in case of resignation, absence or any other cause.

The President of the Bank will be an Argentine citizen.

The following cannot be members of the Board:

1. National or Provincial officials who receive fees, salary or any other form of pecuniary remuneration.
2. Those who form part of the Board of Directors or administration of other Banks.
3. Those who are indebted to the Bank.
4. Two or more persons who belong to one business Association.
5. Those who are bankrupt or in suspension of payments.

The bank will have branches in all the capitals of the provinces and in all the towns and cities that the Board may deem advisable.

The Nation is directly responsible for the deposits and transactions carried out by the bank.

The Bank is required to keep on hand at least 25% of the total of the deposits in cash.

The Board of Directors is not entitled to make loans to any public officer or municipality, with the exception of the National Government, whose credit cannot exceed 25% of the

From: M.A. Argentina. Report No. 3836. October 26, 1927

ARGENTINA (Economic)

Subject: Financial.

(d) Banking. (Cont'd)

Capital of the Bank.

The Bank shall not take part directly or indirectly in industrial operations, shall not purchase real estates, except for its own use; but can accept such as additional guarantees on the loans made.

The Bank can rediscount documents from the holdings of other banks and use up to 20% of its funds in purchasing Bonds of National Public debt in the market, but shall not take public loans on its own account.

In the safe at the Bank and its branches will be deposited: the revenues; money from all the public administrations and reserve funds or provisions of Ltd. Companies that are obliged to hold them in cash.

The Bank will be the financial manager of the Government for exchange transactions or any others it may undertake, at any time it requires them.

The property of the Bank and its branches, and the banking transactions undertaken are exempt from any contribution or National and Provincial tax, and their credit cannot be inferior to those of other banking institutions authorized by the laws of the Nation or of the Provinces.

In cases where the Bank is a party, the Federal Jurisdiction with the ordinary courts of the Capital and of the provinces is declared concurrent.

The Board of Directors will fix, in accordance with the conditions and circumstances of each market, the interest that will rule for the deposits, loans and other transactions undertaken.

The profits of the Bank, less 50% converted into cash and carried as a reserve fund, will be used to the increase of the capital.

The Directors who authorize transactions prohibited by this law will be personally and wholly responsible.

The Board will name their employees and will draw up their budget of expenditures."

The rediscount provision mentioned above is not exercised by the bank. This bank also acts as clearing house of checks for banks belonging to the Clearing house association, however its clearing house activities are hardly more than exchange of checks.

Another Government Bank which deserves special mention is

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## ARGENTINA (Economic)

Subject: Financial.

(d) Banking (Cont'd)

the National Mortgage Bank. The operation of this Bank consists of:

"The National Mortgage Bank may issue mortgage loans in the shape of credit bonds transferrable on lands within the territory of the Republic, as follows:

1. Ordinary loans in bonds or cash.
2. For buildings.
3. For Colonization.
4. Livestock development.
5. On vine and fruit-tree plantations.
6. In cash and in bonds to help the construction of sanitary connection works between houses."

A third bank known as the Banco de la Provincia de Buenos Aires, is the reorganization (in the panic of 1890) of the first bank in this country. It was founded in 1802 and was known under several different names previous to 1890. This bank is 50% owned by individuals and 50% Government. It operates strictly as a private bank only limited by commercial and criminal Codes.

These banks have very little if any connections with Government financing. The Secretary of the Treasury handles the Government financing and floats external and internal loans here or abroad through whatever channels are most expedient.

All banks are required by law to turn over to the Government on the last day of the month a report of their condition on forms specified by the Government. Under provisions of commercial Code certain books must be kept and these are subject to inspection.

Banks cannot issue bank notes. This is reserved for the "Caja de Conversión". There is no laws or Government regulations as to the amount of reserves banks should maintain.

The principal Deposit and Discount Banking Houses are:

<u>NAME</u>	<u>HEAD OFFICE</u> <u>Location</u>	<u>BRANCHES</u>	<u>OWNERSHIP</u>
1. Banco de la Nacion	Buenos Aires	Interior	Argentine
2. Province Of Bs.As.	La Plata	Buenos Aires	"
3. Banco Español del Rio de la Plata	Buenos Aires	Interior	"
4. Banco de Italia y Rio de la Plata	Buenos Aires	"	"
5. Banco de Londres y Amé. del Sud	Buenos Aires	"	English
6. Nuevo Banco Italiano	Buenos Aires	"	Argentine
7. Ernesto Tornquist Co.	Buenos Aires	none	Argentine

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ARGENTINA (Economic)

Subject: Financial.

(d) Banking. (Cont'd)

<u>NAME</u>	<u>Head Office Location</u>	<u>Branches</u>	<u>Ownership</u>
8. Anglo South Amé.	Buenos Aires	Interior	English
9. First Nat. Bank of Boston.	" "	none	U.S.A.
10. Nat. City Bank N.Y.	" "	Rosario	U.S.A.
11. Galicia y Buenos Aires	" "	Interior	Argentine
12. Aleman Trans-Atlantico	" "	"	German
13. Frances del Rio de la Plata	" "	"	Argentine
14. Banco Popular Argentino	" "	"	Argentine
15. Banco Britanico de Amé. del Sud	" "	"	English
16. Banco Comercial del Azul	Azul	Bs.As.	Argentine
17. Banco Argentino Uruguayo	Buenos Aires	none	"
18. Banco de Cordoba	Cordoba	Bs.As.	"
19. Banco Frances e Italiano para Amé. del Sud	Buenos Aires	Interior	Italian French and /
20. Banco Germanico de Amé. del Sud	" "	none	German
21. Banco Holandez del Amé. del Sud	" "	none	Dutch
22. Banco Italo Belga	" "	none	Belg. & Italian
23. Banco Italo Sud Amé.	" "	Interior	Argentine
24. Banco Escandinavo Arg.	" "	Interior	Argentine
25. Banco de Avellaneda	Avellaneda	Bs.As.	Argentine
26. Banco Comercial Arg.	Buenos Aires	none	Argentine
27. Banco Escolar Arg.	" "	"	"
28. Banco Int. del Rio de la Plata	" "	"	"
29. Banco Sirio Libano del Rio de la Plata	" "	"	"
30. Yokahama Specia Bank	" "	"	Japanese

The above banks are arranged in accordance with loans existing at the time of Bank Census, Dec. 31, 1925. The Banco de la Nacion's capital and reserve are 30% of the total; the other National Banks are 54%. By the very nature of Argentina's organization and Banking practice the Banco de la Nacion dominates the banking field.

It may be of interest to note the distribution of the total Deposit and Discount Banks in the country:

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ARGENTINA ( Economic )

Subject: Financial.

(d) Banking (Cont'd)

<u>Province or Territory</u>	<u>Head Office</u>	<u>Agency</u>	<u>Branch</u>	<u>Total</u>
Federal Capital	36	53	26	115
Provinces	51	11	360	422
Buenos Aires	13	3	177	193
Cordoba	1	8	52	61
Santa Fe	7	--	41	48
Entre Rios	9	--	32	41
Corrientes	7	--	12	19
San Juan	6	--	11	17
Mendoza	2	--	8	10
Tucuman	2	--	6	8
Santiago del Estero	1	--	5	6
Salta	1	--	5	6
Catamarca	2	--	3	5
La Rioja	--	--	3	3
Jujuy	--	--	3	3
San Luis	--	--	2	2
National Territories	4	--	36	40
La Pampa	--	--	10	10
Santa Cruz	1	--	8	9
Chubut	--	--	5	5
Rio Negro	1	--	4	5
Chaco	1	--	3	4
Misiones	1	--	2	3
Neuquen	--	--	2	2
Formosa	--	--	1	1
Tierra del Fuego	--	--	1	1
Los Andes	--	--	--	--
Total.....	91	64	422	577

DEPOSIT AND DISCOUNT BANKS  
(in thousands of m/n - Dec. 31, 1925)

Banks	No.	Capital and Revenues	Loans	Deposits
Banco de la Nación	1	214,193	1,385,654	1,499,276
Other Nat. Banks	78	387,883	1,813,692	1,416,838
Foreign Banks	13	108,152	757,187	721,105
Total .....	92	710,228	3,956,533	3,637,219

The loan figures are all loans including discounts and commercial advances.

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## ARGENTINA (Economic)

Subject: Financial.

(d) Banking. (Cont'd)Mortgage Banks; December 31, 1925.-

The capital and reserve of the mortgage Banks in the country amount of \$ 310,264,000m/n. Of this 45 % belongs to the National Mortgage Bank; 23% to eleven other Argentine Mortgage Banks and 32% to three foreign Mortgage Banks. These latter are Dutch, French and Swiss.

LOAN BANKS (Loans on personal property)  
(In thousands of \$m/n)

Bank	Capital & Reserve	Loans	Deposits
Federal Capital	11,192	19,800	30,287
Rosario	1,040	3,198	3,268
Cordoba	740	832	1,074
Tucuman	107	276	401
Santa Fe	--	241	232
Mendoza	375	252	253
Totals..	13,454	24,599	35,488

All the so called Loan Banks Are Argentine.

There is forwarded two copies of the Censo Bancario de La Republica Argentina, 1925. This gives the status of Banks on December 31, 1925 in much more detail. So far as can be ascertained the relative or total figures will vary very little today from those given herein. These are the best figures available.

## Sources:

Vice-President of the "ational City Bank of New York.  
Commercial Attache  
Commercial Code  
Leyes Usuales de la Republica Argentina.  
Censo Bancario 1925  
Daily newspapers

From: *erphurston*  
M.A. Argentina.

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G-2 Report

ARGENTINA (Economic)

Subject: Financial

(d) Banking.

During the past century Argentine banks have gone through several crises similar to those experienced in the United States, some of the earlier crises causing high banking mortality. The present system dates largely from the formation of the Bank of the Argentine Nation in 1891, although it will be noted from the attached list of Buenos Aires banks that some of the local institutions were founded before that date. When the acute panic of 1891 took place, sometimes known as the Baring crisis, the Bank of the Argentine Nation was founded with a capital of \$50,000,000 in fiat money especially issued for that purpose by the Government. The long period of prosperity in Argentina, starting in the middle nineties and lasting until just before the outbreak of the European War, permitted the Bank of the Nation to acquire the commanding position shown by the figures given in the attached list. The only other official banks on the list are the Bank of the Province of Buenos Aires and the Bank of Córdoba, the stock of the former being owned 50% by the provincial government and 50% by individuals.

It may be said, in general, that Argentine law fixes no basic charter provisions nor does it limit the scope of banking transactions. There is very little banking law other than that included in the Commercial Code relative to cheques, drafts, notes other commercial documents and contractual relations. There is no government supervisory control of banking operations nor are there any inspections of banks such as take place in the United States. There is no legal requirement as to bank reserves, there are no bank notes, and except for metallic fractional currency in amounts less than \$1.- there is only one type of currency, which is the paper issued by the Government Conversion Office against a gold reserve that by law must not fall below 40%. The present reserve of the Conversion Office is legally about 46%, but if the gold held there were given its world market value, the present reserve against currency in circulation would be about 120%.

The names of all the clearing banks in Buenos Aires are included in the attached list, which also gives the year in which they were established, the number of branches outside of the Head Office in Buenos Aires, and the amounts of deposits, loans, cash and capital. All banks have been established here by Argentine capital except those marked "x". Some of the institutions with foreign names like the Spanish and Italian banks are not marked "x" because they are local institutions. A rough division of these banks into prime, second-class and third class institutions has been made by placing the letters "a", "b" or "c" respectively to the left of the name.

Fl. M.A. Argentina Report No.4941 August 14,1934.

## ARGENTINA (Economic)

Subject: Financial

(d) Banking.

The foreign banks confine themselves very largely to commercial banking business, although some of them are important operators in the bond market, several have sections for the administration of real estate, and all of them accept savings deposits. The native banks do all kinds of business, including mortgages and agricultural loans. The Bank of the Nation is an industrial and agricultural as well as a commercial bank. The Bank of the Province of Buenos Aires has a separate and important mortgage section. Although of fundamental importance to the country, the Banco Hipotecario Nacional, or National Mortgage Bank, is not shown in the attached list because it is not a commercial bank, nor is it in the clearing association. It confines itself exclusively to real estate mortgages against which it issues its own bonds, or "cédulas", of which there are at present about m\$n 1,350,000,000 in circulation. These "cédulas" bear 5% interest and 1% amortization, are currently quoted around 92 net, and have a broad market here. The bank is entirely a government institution and the government guarantees service of the "cédulas" which are also secured, of course, by the real estate behind the mortgages. The mortgage section of the Bank of the Province of Buenos Aires, above-mentioned, also issues bonds, which bear 6% interest and are currently quoted near par. There are a few other private banking houses, money changers and mortgage companies of varying but lesser degrees of importance.

As regards the foreign commercial banks, a good idea of their invested capital, resources and volume of business is obtained from the figures and percentages against items 6, 7 and 8 at the foot of the attached sheet showing their percentage of total capital, cash, deposits and loans, both including and excluding the Bank of the Nation. These figures are shown separately, because, as the government bank with over 200 branches throughout the country, the Bank of the Nation is not only a bankers' bank like the Federal Reserve Banks in the United States, but unlike the latter, is permitted to do commercial business.

The British expert, Sir Otto Niemeyer, in his report of April 1933 to the Argentine Finance Minister, recommended the establishment of a central bank and a superintendency of banking operations. It is generally believed that legislation regarding a central bank and a control of private banking institutions will be submitted to Congress at an early date, and indications are that the Conversion Office, rather than the Bank of the Nation, will be used as the nucleus of the central bank when established.

From 1899 to April 1931, Argentine currency circulation was rigidly controlled by gold exports or

From M.A.Argentina      Report No.4941      August 14,1934.

## ARGENTINA (Economic)

Subject: Financial

(d) Banking.

imports, or occasionally by gold deposits in Argentine legations abroad, but in that month the Provisional Government for the first time permitted the Conversion Office to issue its usual type of currency against commercial documents rediscounted at the Conversion Office by the Bank of the Nation. The Bank of the Nation had long been in the habit of rediscounting commercial paper for other banks, but such rediscounts merely increased the loans of the Bank of the Nation without changing the currency circulation. The rapid drop in circulation caused by the Provisional Government's policy of exporting gold to meet the debt service brought about a money market stringency in April 1931, that made absolutely necessary the recourse to rediscounting in its generally accepted form, that is, for the purpose of increasing monetary circulation.

The law authorizing the issue of the Patriotic Loan in May 1932, allowed the Government to rediscount Patriotic Loan bonds with the Conversion Office at a valuation of 85 (they are at present worth about 94), it being provided that in addition to the ordinary amortization of 1% the Conversion Office would use the interest received upon these bonds as extraordinary amortization. Although classic economic theory frowns upon rediscounting of government bonds by the government issuing them, experience here has shown that no harm has been done by this measure, because the amount rediscounted is not excessive and total monetary circulation has been pretty carefully adjusted to the needs of the market. The present monetary circulation of about m\$n 1,200,000,000 is secured by the legal equivalent of about m\$n 561,000,000 in gold (although as previously mentioned the world market value of gold is much higher) some m\$n 150,000,000 in Patriotic Loan bonds and approximately m\$n 200,000,000 in rediscounted commercial paper.

No comment on Argentine banking would be complete without reference to the remarkable confidence which the Argentine public displays towards its banking institutions. Whether this confidence be based upon innate tranquility of mind or merely upon indifference, the fact remains that very few Argentine banks are ever forced to close their doors because of bank runs. Institutions have been known to keep open for years when their only real capital was the confidence reposed in them by their depositors. Whether for good or ill, the attitude of the Bank of the Nation towards private banking institutions here has been one of leniency and great patience, as opposed to the custom in the United States of forcing the bank to close. The Argentine point of view apparently is that a bank does not necessarily become insolvent when its assets are not liquid, and the country's sharp recoveries from various

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ARGENTINA (Economic)

Subject: Financial

(d) Banking.

periods of depression would seem to justify the conclusion that a great deal of woe has been avoided here by not doing today what can just as easily be put off until tomorrow.

encl.

- 1 graph chart of banking situation
- 1 statistical chart.

*Fredrick D. Ship*  
*Copysma*

From M.A. Argentina Report No.4941 August 14, 1934.

CONDITION OF THE PRINCIPAL FOREIGN BANKS INCLUDING BRANCHES IN ARGENTINA, AT THE CLOSE OF BUSINESS JUNE 30, 1934.

<u>BANKS</u>		<u>No. of Branches</u>	<u>Year established in Argentina</u>	<u>Deposits</u>	<u>Discounts &amp; Overdrafts</u>	<u>Cash &amp; Due from Banks</u>	<u>Capital</u>	
a	1. Nacion Argentina	214	1891	1,573,085,750	1,402,697,258	235,896,209	165,409,286	
a	2. Provincia Bs. Aires	71	1853	325,032,454	281,007,578	114,039,148	62,500,000	
a	3. Londres y America del Sud	14	1862	242,081,454	143,728,014	80,260,484	18,859,813	x
c	4. Espanol del R.P.	42	1836	240,762,740	201,375,649	18,228,911	28,346,420	
c	5. Italia y R.P.	39	1872	215,855,321	165,242,751	38,761,816	22,727,000	
b	6. Nuevo Italiano	8	1887	124,145,714	96,545,374	37,588,566	6,000,000	
a	7. Anglo Sudamericano	19	1888	109,218,061	92,375,019	31,361,232	18,125,000	x
a	8. First National Bk. of Boston	5	1917	99,324,907	51,212,941	21,148,247	4,710,908	x
a	9. Aleman Transatlantico	7	1892	64,207,185	44,599,445	29,072,910	8,295,454	x
b	10. Frances del R.P.	4	1887	63,925,600	70,651,302	17,901,654	12,956,832	
b	11. Popular Argentino	5	1887	57,966,322	55,824,575	10,637,553	50,000,000	
c	12. Hogar Argentino	4	1899	51,630,277	79,479,541	8,681,415	10,287,600	
c	13. Galicia y Buenos Aires	6	1875	49,643,693	51,746,398	6,287,914	9,412,081	
c	14. Banco de Coroba	26	1914	49,212,707	25,056,889	16,313,569	2,944,318	x
a	15. Nat. City Bank of New York	2	1906	48,498,178	31,543,910	20,725,258	6,818,181	x
b	16. Germanico A. del S.	0	1920	48,331,783	21,781,303	17,220,464	2,355,454	x
a	17. Royal Bank of Canada	2	1912	36,840,349	30,764,151	17,791,866	5,681,818	x
b	18. Frances e Italiano	2	1918	31,347,000	82,077,000	7,031,000	2,700,000	
c	19. Argentino Uruguayo	0	1911	30,099,203	16,915,667	7,118,420	2,000,000	
c	20. Banco de Avelanada	5	1914	24,534,797	20,304,392	4,368,636	4,545,454	x
c	21. Italo Belga	0	1914	17,092,054	14,330,036	7,770,011	5,000,000	
c	22. Holandes Unido	1	1914	4,874,811	4,397,353	1,650,033	1,253,690	
c	23. Sirio Libanes R.P.	0	1925	2,672,786	4,285,462	304,605	2,000,000	
c	24. Comercial Arg.	0	1921	1,574,719	3,883,403	492,418	1,500,000	
c	25. Escandinavo Arg.	1	1920	730,676	1,387,082	98,209	1,020,298	
c	26. Escolar Argentino			840,865		434,501	200,000	
c	27. Polaco (with less than \$1,000,000 capital)							x
				3,576,610,166	3,043,699,464	756,593,911	483,649,608	
Argentine Paper Pesos				3,552,907,913	3,067,885,785	717,839,401	483,647,365	
Totals last month								

Average percentage of cash to deposits 21%

(See Notes on Page -2-)

CONDITION OF THE PRINCIPAL BUENOS AIRES BANKS INCLUDING BRANCHES IN ARGENTINA, AT THE CLOSE OF BUSINESS JUNE 30, 1934  
(Continued)

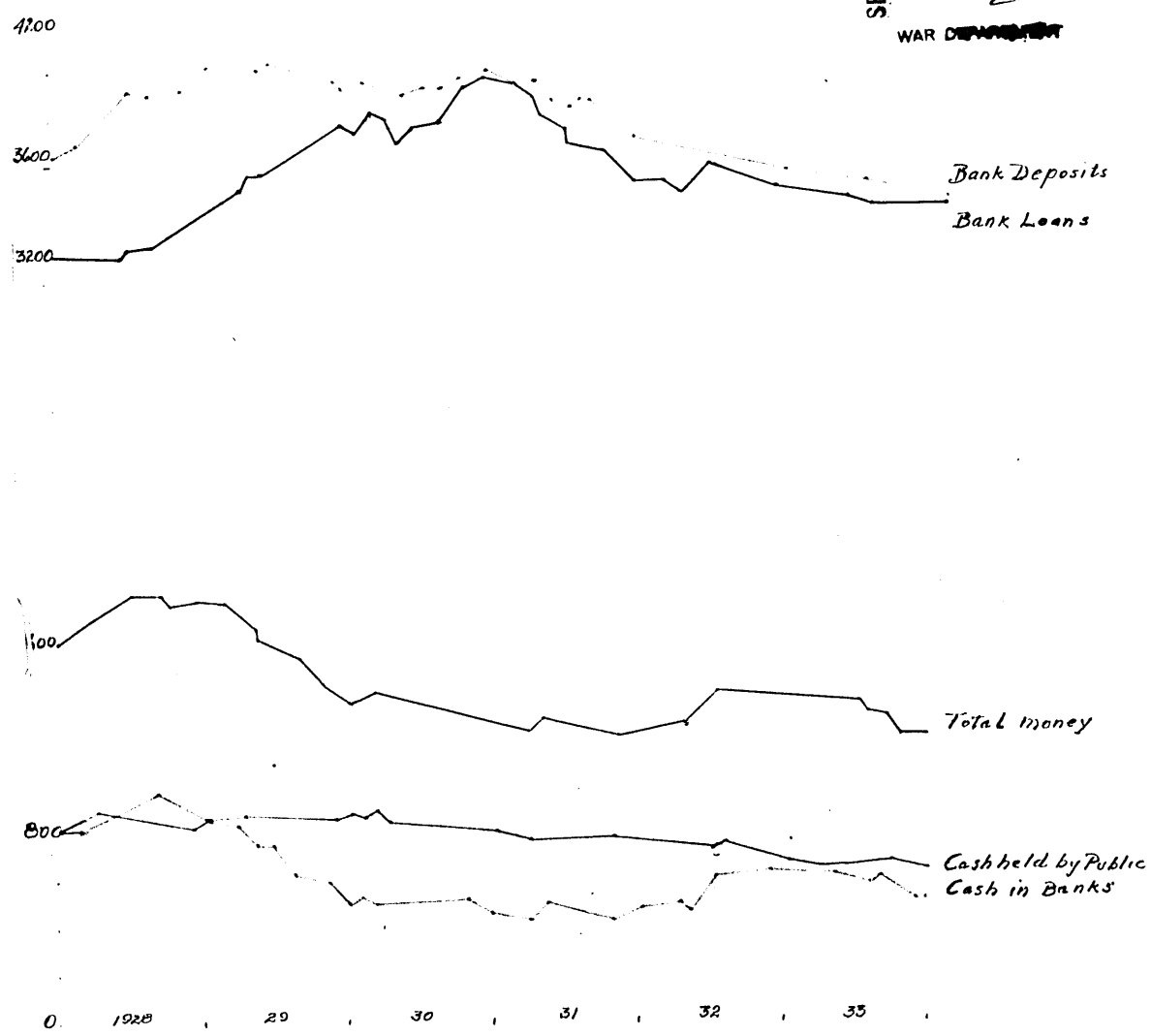
N.B. Page (1)

1. All amounts in moneda nacional de curso legal.
2. Capital in each case represents total in Argentina.
3. Deposits of the Banco de la Nacion include \$112,056,795 - Clearing deposits of the other member banks and \$11,670,385.- Judicial Deposits.
4. The deposits of the Banco de la Provincia include \$ 32,532,898.- Judicial deposits and the cash and due from banks total includes their clearing balance of \$6,767,445.-
5. The column immediately following the names of the banks shows the number of branch offices maintained within the Argentine Republic.
6. The 11 foreign banks, marked "x" show following totals:
7. Percentage of total
8. " " excl. Bank of the Nation 37%

739,182,340	475,696,100	246,487,178	77,536,401
21%	16%	33%	16%
	29%	47%	24%

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DEPARTMENT

## ARGENTINA (Economic)

## Subject: Financial

(a) Financial Stability.

On December 5th, a Presidential decree was published authorizing the Bank of the Nation to effect re-discount operations in the "Caja de Conversion" up to a total of \$200,000,000 pesos. This authorization was given in accordance with powers granted by the re-discount Laws and a previous decree published in November 1914. It is stated that this was a direct outcome of the Government's policy of delaying payments to contractors. Many large firms which had the State on their books for extremely large sums had been compelled by the Government's failure to liquidate their accounts, to strain their credit on the banks to the utmost limit.

The Ordinary banks eventually found themselves with so much paper on their hands that their normal activities were restricted where upon they had to apply to the Bank of the Nation to re-discount at least a portion of it.

A few months of this resulted in the Bank of the Nation holding an almost unprecedented quantity of paper while other banks, in spite of having relieved their situation to some extent, still held lower balances than at any period of recent history.

The situation created by this state of affairs was a serious shortage in the money market. The only way to overcome this, without damaging the interests of the country in general, was to permit the Bank of the Nation to convert itself for all practical purposes into a bank of issue. As there was no legal way in which this could be done, the same purpose was achieved through the clauses of the re-discount Acts, and on the basis of a precedent created in November 1914, when under similarly exceptional circumstances, President Victoria de la Plaza authorized the Bank of the Nation to re-discount with the "Caja de Conversion".

This arrangement was considered a good one so long as it was not abused. However it was stated that the Government had no alternative but to give the authorization as the only other course would have been to float a loan.

The constant exports of gold during the recent months have carried with them the threat of dearer money.

The gold backing Argentine currency at the present time is approximately 77% and even if the Bank of the Nation re-discounted the full \$200,000,000 it would only be reduced to 66%.

The issue of the \$200,000,000 m/n additional currency without a corresponding reinforcement of the gold stock in the "Caja de Conversion" was the subject of animated discussion in the Bolsa de Comercio, and other commercial circles, many holding that it would have a detrimental effect

From: M.A. Argentina Report No. 4093 January 8th, 1930

## ARGENTINA (Economic)

Subject: Financial.

(a) Financial Stability.

on the peso exchange and Argentine commerce in general.

On December 12th the Re-discount Decree was discussed in the National Senate and an attempt was made to interpellate the President of the Republic as to its issue, but when the matter was to be voted on, two "Personalista" Senators retired, leaving the Chamber without a quorum.

Notwithstanding rumours that had been in circulation, it was a general shock to the business world when on December 16th the President signed a decree "suspending the effect of Article 7 of Law 3871, by which the "Caja de Conversion" is obliged to hand over gold in exchange for paper money". The decree caused consternation in business and financial circles and caused the peso to decrease in value considerably.

Since 1927 when the Caja was re-opened following its closure as a wartime emergency measure - the movement of gold has been free with the natural result that exchange has fluctuated - until recently - within narrow limits. Without the support of the movement of gold, and a closed Caja means its total paralysis; the probability is that exchange will get still lower until such a time as favourable extraneous factors come to swing the pendulum in the contrary direction.

It is stated that the decree is the outcome of the increased continued recent withdrawals from the Caja de Conversion which as a matter of fact have been solely due to local causes, and not to foreign speculation. This is proved by the official statistics of the trade of the country for the first nine months of the past year. These figures prove an increase in importation of \$50,830,440 gold and a decrease in exportation of \$53,598,595, an unfavourable movement of nearly \$105,000,000. Given a slight rise in interest and other payments and a scarcity of new capital flotations abroad for Argentine expansion, and we reach the \$112,000,000 which has been withdrawn in specie during the same period. In other words the specie decrease has been created through an unfavourable period of trade. In the natural course of events, through increased production or decreased importation the situation would remedy itself.

On December 19th, the Senate of the Nation voted and approved a project for interpellation to the President of the Republic on his attitude in closing the "Caja de Conversion".

With the conversion of paper into gold suspended the tasks left to the staff of the Caja de Conversion are as follows: (1) The Exchange of new currency notes for old. (2) The changing of currency notes for others of larger or smaller denomination, as the case may be. (3) Reception and delivery of nickel coins. (4) Acceptance of gold currency in exchange for paper. (5) The acceptance of bonds deposited in guarantee by foreign insurance companies.

From: M.A. Argentina.

Report 4093

January 8, 1930

## ARGENTINA (Economic)

Subject: Financial

(a) Financial Stability.

MOVEMENT OF GOLD IN THE CAJA DE CONVERSION BETWEEN  
AUGUST 25, 1927 (DATE OF REOPENING) AND  
DECEMBER 16, 1929 (DATE OF CLOSURE).-

	:Deposits of : gold	:Withdrawals	:Balance in \$gold
Balance at August 25, 1927	: -----	: -----	: 455,663,784,018
From August 26th to Dec. 31, 1927	: 23,008,323,072:	: 1,089,700,826:	: 477,582,406,264
From Jan. 1st to Dec. 31st 1928	: 30,196,885,690:	: 18,122,153,956:	: 489,657,137,998
From Jan. 1st to Dec. 16, 1929	: 74,588,771,600:	: 144,602,522,198:	: 419,643,387,400
Total movement:	127,793,980,362	163,814,376,980	

*W. Fleming*

From: M.A. Argentina. Report No. 4093

January 8, 1930

G-2 Report

ARGENTINA (Economic)

Subject: Financial.

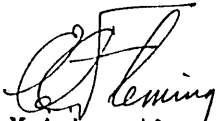
(a) Financial Stability.

The Bankruptcy returns in Argentina for 1929 show an increase over the figures for 1928, the totals for the last four years being:

	<u>Assets</u>	<u>Liabilities</u>
1926	208,359,620	201,060,163
1927	225,285,987	221,504,828
1928	143,206,885	148,424,916
1929	176,897,638	166,852,843

The worst month of the year was November, in comparison with which December revealed an improvement although the figure of more than twenty millions was still well above the monthly average for the year. This is shown by the published returns, from which it will be seen that the monthly bankruptcies were as follows:

<u>Month.</u>	<u>Assets</u>	<u>Liabilities</u>
January	13,203,473.40	13,875,909.80
February	9,793,927.71	11,161,251.74
March	10,820,393.62	10,368,362.90
April	12,235,237.95	12,106,760.28
May	16,811,320.41	15,831,588.87
June	8,695,051.57	9,017,838.74
July	10,468,412.24	8,738,153.72
August	18,065,759.62	13,742,581.48
September	11,225,859.84	12,989,225.22
October	14,789,064.05	13,288,298.99
November	29,251,914.68	26,778,031.13
December	21,537,223.82	18,954,840.33
Total.....	<u>176,897,638.91</u>	<u>166,852,843.20</u>

  
From: M.A. Argentina Report No. 4117 March 5, 1930

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G-2 Report

ARGENTINA (Economic)

Subject: Financial.

(a) Financial Stability.

(Taken From Ing. Alejandro Bunge's Report.)

The financial and economic situation of the different Provinces were recently made the object of special study by their respective Interventors. The several reports were submitted at a recent conference of Interventors and the material thus accumulated was handed over to Ingeniero Alejandro Bunge, who was requested by the Minister of the Interior to use it as the basis of a comprehensive study and report of the situation of the Provinces in general. Ing. Bunge, whose reputation as an economist is well known, is now Secretary of Finance to the Federal Intervention in the Province of Santa Fe. His general report, which deals specially with the increase of expenditure and public indebtedness between 1916 and 1930, is given in part below.

Ing. Bunge commenced his report by stating that some of the facts brought to light might seem almost unbelievable and that in order to appreciate the magnitude of the revelations it is necessary to compare the figures relating to public expenditures, National, Provincial and Municipal with the corresponding figures of former years. The report reads as follows:

"In the fourteen years between 1902 and 1916 the population of the country increased 65%. Wealth, the physical volume and the value of production simultaneously increased 190%. This signifies that the economic and contributory capacity of the country was nearly trebled during the fourteen years. It also signifies that the economic capacity of each inhabitant increased 75%.

On the other hand, between 1916 and 1930 the increase in population was only 40%. Wealth, the physical volume and the value of production increased less than 50%, or a quarter of the proportional increase shown in the previous fourteen years.

The contrary happened as regards the increase of public expenditure and of the public debt. In 1902 the expenditures of the National Government, the Federal Capital, the Provinces and the Municipalities totalled 250 millions. In the fourteen years which elapsed up to 1916 they increased to 603 millions. This increase represented 140%, or much less than the increase in the wealth and in the economic and contributory capacity of the country, which had augmented 190%.

On the other hand between 1916 and 1930 public expenditure rose from 603 millions to the enormous figure of 1,900 millions in 1930. Included in the latter figure are payments made with funds withdrawn from sources legally intended for different purposes, a circumstance largely responsible for the enormous floating debt. This means that whereas the wealth of the country and the physical volume and value of production increased by less than 50% the public charges weighing upon the country were more than trebled, the increase being more

From: M.A. Argentina

Report No. 4285

January 12, 1931

## ARGENTINA (Economic)

Subject: Financial.

(a) Financial Stability. (Cont'd)

than 200%. That is to say that the increase in expenditure was four times greater than the growth of the economic capacity of the country.

It will be seen that whilst in the fourteen years which preceded 1916 the public expenditure which had to be supported by the inhabitants of the country increased less than did their wealth, in the fourteen years subsequent to 1916 this charge increased four times more than the wealth of the country.

In 1902 the public debt of the Nation, Provinces and Municipalities, consolidated and floating, was 1,100 millions. in 1916 it was 2,300 millions, an increase of 110%. Remembering that the increase of the public wealth in this period was 190% it will be seen that the public debt increased far less than the public wealth. It must be pointed out that practically all of this debt was accounted for by the reproductive public works carried out on a large scale between 1909 and 1915.

On the other hand, we have in 1930 a total debt of 4,300 millions, only a third of the increase being accounted for by public works and roughly two thirds by deficits brought about by squandering under the guise of salaries for politically favoured employment. The situation is made to appear the more serious by the fact that a considerable part of this debt is floating and exigible. The 2,000 millions of increase represent a growth of 87% equivalent to nearly double the corresponding increase in the economic and contributory capacity of the country.

The following table is made up of figures submitted by the Interventors, certain expenditures authorised by Ministerial resolution not being included. With those figures added the total for 1930 would no doubt exceed 330 millions.

<u>Provinces</u>	<u>1916</u>	<u>1930</u>
Buenos Aires	61,000,000	155,000,000
Catamarca	668,400	1,150,400
Cordoba	10,873,338	38,040,536
Corrientes	3,852,421	6,365,231
La Rioja	501,570	1,048,429
Mendoza	8,730,683	24,595,000
Salta	1,508,200	3,355,100
San Juan	2,744,604	13,622,372
Santa Fe	16,400,000	50,640,000
Santiago del Estero	2,085,350	5,856,052
Tucuman	6,433,926	14,500,087
Jujuy	1,119,000	4,793,866
Totals	115,917,492	318,967,173

From: M.A.Argentina

Report No.4285

January 12, 1931

## ARGENTINA (Economic)

Subject: Financial.

(a) Financial Stability. (Cont'd)

Similarly in the figures relating to indebtedness submitted by the Interventors certain items of floating indebtedness have not been included. Had they been included, the total figure would no doubt exceed 1,000 millions. The figures for the cities and municipalities of the country which in 1916 amounted to 200 millions are believed to have increased to approximately 400 millions in 1930."

<u>Provinces</u>	<u>1916</u>	<u>1930</u>
Buenos Aires	433,900,000	689,000,000
Catamarca	-	-
Cordoba	41,892,207	68,524,452
Corrientes	6,568,592	9,500,000
La Rioja	196,000	230,000
Mendoza	23,953,000	81,000,000
Salta	2,000,000	2,130,702
San Juan	-	-
Santa Fe	52,286,000	97,706,000
Santiago del Estero	721,650	2,727,200
Tucuman	15,174,876	27,977,324
Jujuy	650,774	2,191,648
<u>Totals</u>	<u>577,343,099</u>	<u>980,987,326 "</u>

*C. Steining*  
 From: M.A. Argentina Report No. 4285 January 12, 1931

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G-2 Report

ARGENTINA (Economic)


Subject: Financial

(b) Currency and Exchange.

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By a decree on April 7th., 1931, the Provisional Government has again authorized the deposit of gold to the order of the Argentine Embassies and Legations in those countries in which there is no inhibition on the export of coined gold. The authorization will be accorded for the term of six months and depositors will be allowed a similar term in which to withdraw their deposits.

The gold will be received in the Legations for account of the "Banco de la Nacion," and the Ministry of Finance after being duly informed of each operation, will authorize the Caja de Conversion to issue the equivalent of each gold deposit in paper currency.

The deposits will not be made to the order of the State as in former cases where this system of relieving a currency shortage has been resorted to.

  
From M.R. Argentina

Report No. 4349

May 7, 1931



G-2 Report

ARGENTINA (Economic)

Subject: Financial.

(b) Currency & Exchange. ARGENTINA, A. W. B. 1931

At the end of April, the Provisional Government - at the instance of an important group of financial and business men to whom the gravity of the moment seemed to warrant the making of a direct appeal to the Ministry of Finance - issued a decree under which the faculty of re-discount with the Conversion Office to a maximum sum of \$200,000,000 paper is fully warranted, and will, in conjunction with the equivalent of the gold deposited in the legations (See our Report No. 4349) provide funds sufficient to meet this country's present requirements. The actual wording of the decree is as follows:

Art. 1 - The Banco de la Nación Argentina is hereby authorized to re-discount up to the sum of \$200,000,000 paper with the Conversion Office in accordance with laws Nos. 9479 and 9577.

Art. 2 - The Banco de la Nación Argentina will appoint a re-discount committee charged with seeing that strict compliance is had with the terms of the present decree.

Art. 3 - The re-discount committee will establish under its direct and exclusive charge an autonomous office designed to exercise control over the banks, to which office those institutions who availed themselves of the privilege of re-discounting must supply in strict confidence all the information that may be required for the purpose of knowing their method of working and the nature of their several operations.

On the whole the re-discount decree received favourable comment from the Press, especially in view of the fact that the men integrating the re-discount commission are considered honorable and trustworthy men.

In accordance with the decree, it was announced on March 17th. that the Directorate of the Banco de la Nación had drawn up the regulations for the rediscounts authorized, which are in substance as follows:

Creation of a special section to be denominated "Sección de Redescuentos", which will have the mission of controlling the operations to be made through the medium of the Bank for the obtaining of the Caja de Conversion the rediscount of the commercial papers authorized by Law 9577.

The "Sección de Redescuentos" shall be directed by a commission of four citizens appointed by the Directorate, and presided over by the President of the Bank.

The rediscounts commission shall organize an office for the control of Banks, whose mission it will be to furnish information about the financial situation of the Banks and of the monetary market.

From M.A. Argentina

Report No. 4361

May, 23, 1931.

OFFICE CHIEF OF STAFF  
MR. NTEL DIV

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WAR DEPARTMENT

## ARGENTINA (Economic)

Subject: Financial.

(b) Currency & Exchange.

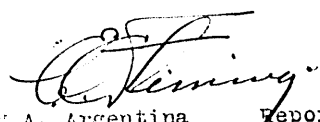
To the effect of the rediscount will be considered as commercial papers all documents which embody the conditions exacted by the respective code, and which are signed by private persons, by industrial firms or by commercial or industrial companies of a private character. In no case shall documents be accepted for rediscounting which emanate from public authorities, be they national, provincial or municipal, even when endorsed by banks or commercial firms.

All solicitations of rediscount must be presented to the President of the Bank, detailing the amount of the credit solicited, the purpose for which it is destined, and the furthest date of maturity of the documents offered.

Once a proposed operation has been accepted by the Directorate, the applicant Bank must present a threefold form with the list of documents, names of endorsers and of signers, dates of maturity, rates of interest, commission, etc.

These endorsed documents will be presented by the Banco de la Nación to the Conversion Office, and all documents rediscounted by the Caja should be withdrawn the day before their maturity.

The rediscounts commission shall dispose of all the means at the command of the Banco de la Nación for the purpose of obtaining information relative to the solvency of the signers of documents presented for rediscounting.

  
From M.A. Argentina

Report No. 4361

May 23, 1931.

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WAR DEPARTMENT

G-2 Report

ARGENTINA (Economic)

Subject: Financial

(b) Currency and Exchange.

Until last December the Argentine peso had led a double life. This was quite all right because the law permits it, in fact commands it. Legitimate though this dual existence may be, however, it has caused a great deal of confusion. The lower valuation of the Argentine paper peso was frequently interpreted erroneously as an indication of its depreciated valuation in terms of the Argentine gold peso, and it is not surprising that the dual currency, added to the various ways of quoting foreign exchange, should prove bewildering to the casual observer.

When the Argentine peso was at the parity established by the conversion law of 1899, if you asked its value in New York, you would be told 42.44 cents in United States currency.

Regardless of fluctuations in exchange, the relation between gold and paper peso rates was and still is unvarying. Under the terms of the conversion law of 1899 it was provided that the paper peso then in circulation should have a fixed value of 44% of the gold peso. The latter was theoretically a gold coin worth 96  $\frac{1}{2}$  cents United States currency at par, so that conversely the dollar was worth 103.64 gold centavos at par. The Conversion Law was so successful in its first 15 years in stabilizing the exchange value of the paper peso, which had formerly fluctuated violently in its relation to the gold peso, that a large gold fund was built up in the Conversion Office. Coincidentally the paper peso proved to be so satisfactory for purposes of circulation, that for a generation gold coins have rarely been seen outside of the Conversion Office and the windows of money changers. Not only has gold coinage disappeared from circulation and lost its appeal to the Argentine public, but it has long been a fiction in business and banking circles to all intents and purposes.

As far back as 1922, it was decided by banks and brokers in Buenos Aires, that the system of quoting exchange rates in gold pesos was both confusing and cumbersome. It was agreed that, commencing on January 2nd, 1923, all exchange rates would be quoted in terms of so many paper pesos or centavos to the foreign unit. So strong was tradition, however, that the new method stood the test for only a few minutes on the morning of January 2nd, 1923, after which bankers and brokers reverted to the old system by common consent. From then until last December it was customary for the banks to publish quotations in both gold and paper. This naturally meant a good deal of calculation, increased work for the traders and confusion.

From M.A.Argentina Report No.4917 July 17,1934.

## ARGENTINA (Economic)

Subject: Financial

(b) Currency and Exchange.

It is probably true that the man in the street in Buenos Aires is more "foreign exchange conscious" than his colleagues in New York, London or any of the European capitals. This is because foreign trade plays such a large part in the economic life of the Argentine, and because Buenos Aires is one of the world's most competitive markets. Nevertheless, there is no good reason for Argentina to continue the dual system of currency which is cumbersome at home and confusing abroad. Many suggestions have been made about currency reform, the most concrete being that of former Finance Minister, Victor Molina. In June 1924, during P resident Alvear's administration, Dr. Molina submitted various projects, including a change of the monetary unit. He proposed one unit equivalent in value to two gold francs of the old Latin Union to replace the present gold and paper pesos. This and other features of his project aroused considerable comment and some opposition, but the proposal was never considered by Congress.

It would seem that a very helpful, although not complete reform of Argentine currency, could be enacted in a single sentence providing for the elimination of the gold peso. This in itself would in no way affect the stability of the currency or the gold reserve behind it. It would simply do away with a legal fiction and retain a commercial fact. The paper peso is the only unit used in Argentine business, it is the only currency in circulation, it is the only money which interests residents of the country, or is ever mentioned by any merchant in his advertising.

In his report to Finance Minister Hueyo, released on April 3rd, 1933, the British expert, Sir Otto Niemeyer, included among his recommendations the abolition of the gold peso, with no attempt to fix a new legal exchange value of the paper peso until the Central Reserve Bank (creation of which was also urged in the report) decided that the time had come to propose a new monetary law.

On August 26th, 1933, that dynamic personality, Dr. Federico Pinedo, took over the Finance portfolio in President Justo's cabinet, and it was not long before sweeping changes were made. After successfully converting the national internal debt and the National Mortgage Bank bonds (cedulas) from a 6% to a 5% basis, Dr. Pinedo in collaboration with the Minister of Agriculture, Mr. Luis Duhau, persuaded the President and Cabinet to agree in late November and early December to a number of decrees relating to exchange values and grain price control profoundly affecting Argentine business, both domestic and foreign. These decrees, issued while Congress was not in session, have given rise to a ministerial interpellation and a long and interesting debate in Congress.

From M.A.Argentina      Report No.4917      July 17, 1934.

## ARGENTINA (Economic)

Subject: Financial

(b) Currency and Exchange.

in the early days of June. During this discussion, Dr. Pinedo gave a splendid demonstration not only of his grasp of monetary problems, but also of his understanding of the demands of political economy from the point of view of statesmanship.

One of the December decrees accomplished what bankers and brokers had been unable to do in January 1923. It abolished exchange quotations of the gold peso, and provided that foreign currencies must be quoted in paper pesos only. Immediately afterwards the Government started publishing foreign trade statistics in paper rather than gold pesos, thus eliminating one of the last strongholds of the latter. That would seem to have simplified matters so that there would be but one buying and one selling rate for exchange with the customary small difference.

During the first two years of exchange control, when nobody was supposed to buy or sell exchange except at the official rate, the usual bootleg market was established and prospered greatly. Last November, Dr. Pinedo decided that after all there was no reason why banks should not deal in the free exchange market.

The official buying rate for dollars is 296.50, the official selling rate to importers and other business is 343.17, the official selling rate to individuals remitting not more than 100 pesos a month is 377.49 (or 10% above the business rate), the free market buying rate is 410 and the free market selling rate stands at 412 paper pesos for each 100 dollars.

The official buying rate is the parity with sterling fixed arbitrarily at 15 pesos to the pound (against a former parity of 11.45 pesos to the old pound). The official selling rate is based upon the average of all prices in a daily auction in which only those can take part who have received a permit to bid. Commencing with the highest bids, permits are granted for the total amount of exchange available on that day, after taking into account official requirements, previous permits already granted for importing merchandise, and national quotas depending upon various trade agreements. The average selling rate published serves only for business houses which have permits for amounts less than 1,000 pesos.

The official selling rate for individuals is fixed 10% higher than the business rate because the decree establishing this premium abolished a law providing for a 10% tax on small remittances.

From M.A. Argentina Report No. 4917 July 17, 1934.

## ARGENTINA (Economic)

## Subject: Financial

(b) Currency and Exchange.

The free market rates of course depend on the wellknown law of supply and demand, except insofar as that law has been affected by the possibility of getting exchange at the official rate, because naturally no importer having good reason to hope that he will get an official permit is going to pay 15% or 20% more for free exchange, even though no permit is required to buy or sell exchange in the free market.

If the payment of a draft is to be made with free exchange, an agreement must be reached between the local buyer and foreign seller as to who will absorb the difference between the free and official rates. If the drawee is to pay the difference, he merely buys the required amount of dollars at the high rate and hopes to get a compensatory price from his customer although perhaps competing with importers from another nation who are getting permits. If the person decides to sell, the buyer liquidates the draft at the official rate and with the proceeds in pesos buys as many dollars as possible in the open market.

The banks buying export bills or other exchange at the official rate can dispose of it only to those who have permits or as directed by the Exchange Control Commission. All credit risks in such purchases are for account of the bank and exchange risk are assumed by the Control Commission. Banks are allowed a commission on exchange purchases and another on sales to holders of permits, but they do not receive the sales commission if ordered by the Government to deliver exchange to the Bank of the Nation or private banks. In the latter case the bank first buying the exchange runs the credit risk and must give its own exchange to the receiving bank, in addition to losing the sales commission. Banks buying exchange in the free market may sell it freely without permits but must report all such transactions.

The large difference between official buying and selling rates is retained by the Government through the Exchange Control Commission. It is used to compensate for any losses suffered by the Grain Control Board in maintaining fixed minimum prices for wheat, corn and linseed, and for other purposes. In the recent congressional debate it was intimated that the Government's exchange profits in the six months since last December exceeded 50 million pesos. The grain trade estimates that the Grain Control Board probably has not lost 10 million pesos, and with present prices can make money on stocks now held. Consequently the Finance Minister must have plenty of excess profits to use for other purposes, which should assure budget equilibrium, directly or indirectly.

## ARGENTINA (Economic)

Subject: Financial

(b) Currency and Exchange.

It is believed, on good authority, that in time the following changes will occur with regard to Argentine currency:

1. That the gold peso will eventually be abolished, thus ending the dual currency.
2. That the new unit will be based on gold.
3. That the gold content will be considerably less than the present legal value of the paper peso.
4. That stabilization will probably coincide with the formation of a central bank.
5. That Argentina will finally be credited with having handled its recent monetary problems better than most other countries.

*Fredrick S. Long*  
Capt GSA 19  
From M.A. Argentina

Report No. 4917 July 17, 1934.

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G-2 Report

ARGENTINA (Economic)

Subject: Financial

(a) Financial Stability.

At the time of writing, it would appear from all indications that there is more financial stability in Argentina than in any other Latin American country. It is certain that the men who have controlled this government in the past four years are entitled to much credit for their obstinate opposition to requests for money inflation, which have been as urgent here as in other countries.

The first step taken towards the present financial stability was chiefly a matter of luck. In December 1929 President Irigoyen suspended free exchange of gold for paper currency at a time when the country still had a gold reserve of nearly 80%. The world was shocked at that time by an action that has since become a commonplace. When the Provisional Government took office after the revolution of September 6th, 1930, gold exports were resumed to meet the service of the public debt, but even these shipments were discontinued by President Justo's government, which took office in February, 1932, so that there is still a gold reserve of 246,000,000 gold pesos against a paper circulation that fluctuates between m\$n 1,200,000,000 and m\$n 1,250,000,000 (Except where otherwise mentioned, all figures are given in paper pesos). According to the legal relation of the gold and paper peso, this means a reserve of about 45%, but it is not generally recognized that with the present value of gold in the world's markets, Argentina has a real gold reserve of about 120% against the paper pesos in circulation.

Argentina's second bit of luck was that the Revolution took place in September, 1930, when the world depression was only about a year old, so that both the Provisional Government which lasted until February 1932, and the present government, have effected economies which some other governments have not yet started. For instance under the last 2 years of Irigoyen's administration the deficits were estimated at m\$n 200,000,000 in 1929 and m\$n 317,000,000 in 1930. In 1931 the Provisional Government had reduced the deficit to m\$n 114,000,000. In 1932, under the first year of President Justo, there was a surplus of m/n 500,000 (due partly, it is true, to a bookkeeping cancellation of some supposed obligations that were found not to exist), and in 1933 the deficit was m\$n 24,600,000 in a total budget of about m\$n 800,000,000.

When it is borne in mind that Argentina has not only religiously paid the entire service on its foreign debt, but for the past 2 years has bought exchange to do so instead of shipping gold, the deficit of 1933 can be considered very small. Under the regimes

From M.A.Argentina Report No.4932 July 31,1934



## ARGENTINA (Economic)

Subject: Financial

(a) Financial Stability.

of Presidents Irigoyen and Alvear, the national debt increased rapidly, and naturally so did the service on it. From m\$n 125,000,000 in 1925, the debt service had risen to m\$n 202,000,000 in 1927 with exchange at par. From 1930 until October 1933 when the first foreign loan was floated under the Roca Agreement, Argentina obtained no new foreign loans. Nevertheless, exchange depreciation raised the total debt service from m\$n 202,000,000 above mentioned in 1927 to m\$n 324,000,000 in 1933. The 1934 budget calculates the debt service at m\$n 277,000,000, the decrease being due largely to the conversion of the internal debt last year and partly to lower rates obtained on short term loans.

One of the most dangerous things in the 15 years prior to 1930 was the custom of the Argentine Cabinet to authorize expenditures outside of the budget enacted by Congress. This custom has been practically discontinued under the present government.

A glance at the increase in the nation's funded debt during the past 25 years might raise doubts as to the country's financial stability, because the funded debt rose from about m\$n 1,250,000,000 in 1910 to m\$n 1,744,000,000 in 1925 and then rapidly to m\$n 2,296,000,000 in 1929, m\$n 2,398,000,000 in 1931 and to about m\$n 2,800,000,000 in 1933.

However, in the last few years this increase is more apparent than real and is due largely to the funding of the floating debt which had increased from m\$n 560,000,000 in 1925 to m\$n 1,325,000,000 at the end of 1931. Thanks to the Patriotic Loan of 1932 and to the careful revision of government bookkeeping under Finance Minister Hueyo, the floating debt was greatly reduced. According to Finance Minister Pinedo's report at the opening of Congress in May, the Government's total debt at the end of December 1933 was m\$n 3,321,500,000 of which m\$n 532,400,000 was short term debt largely consisting of treasury bills in Buenos Aires banks.

Mention was made in an earlier paragraph of the Argentine Government's refusal to countenance monetary inflation. This can be seen from the following figures of average monetary circulation:

1928	m\$n 1,405,875,000
1929	" 1,246,753,000
1930	" 1,260,636,000
1931	" 1,245,110,000
1932	" 1,338,753,000
1933	" 1,210,139,000
June 1934	" 1,203,351,000

## ARGENTINA (Economic)

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Neither has there been any inflation of bank credit, because deposits have dropped gradually from an average of m\$n 4,025,000,000 in 1929 to m\$n 3,576,610,000 in June 1934 and loans in the same period after rising from m\$n 3,274,615,000 monthly average in 1929 to m\$n 3,466,203,000 in 1931 receded to m\$n 3,043,699,000 in June of this year.

The above paragraphs sum up the Government's efforts to retain stability in its own finances. As regards the country at large, the most powerful constructive influence was the absence of any Government interference in commodity prices until the end of November 1933. The result was that Argentina, which has very limited storage facilities, not only had to export its surpluses of grain, wool, hides and other raw materials year by year, but its producers were forced to reduce costs to a surprising degree. Even in the establishment of the grain control board last November the country has been fortunate, because shortly after it started to function, grain prices were pushed up by the adverse crop conditions in the northern hemisphere. There have been a great many commercial failures in the past few years, but the firms and individuals still remaining in business are undoubtedly in a pretty strong situation, as is proved by the reduction in commercial failures in the first 6 months this year by about 50% compared with the same period in 1933. The result is that the farmers and cattle men still in business are producing at low costs brought about by reduced rentals, lower wages and other forced economies at a time when agricultural prices are well above the minimum which is considered to be profitable.

With a continuance of the Argentine Government's present financial policy, and even with no increase in raw material prices, there should be no question about the financial stability of this country, the wealth of which is based upon low cost production of raw materials for foodstuffs and clothing - man's primary needs. Any further marked increase in grain prices should bring back prosperity.

*Frederick D. Sharp*  
Capt 450114  
From M.A. Argentina

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